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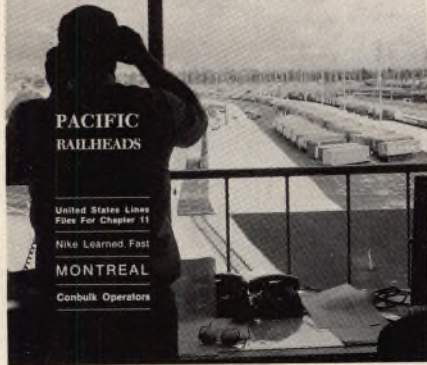
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MONTREAL
Conbulk Operators

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Editor

David A. Howard

Associate Editors

Tony Beargie, Washington
Richard Knee, San Francisco
Bruce Vail, New York
Ben Carey, New York

News Briefs

Lynn Sharpe, Jacksonville

Advertising (800) 874-6422
Hayes H. Howard
Nancy B. Barry

Circulation Karyl DeSousa, Jacksonville

Production Larry Allen, Jacksonville

OFFICES

New York (212) 269-9198
26 Broadway, Suite 1231
New York, New York 10004

Washington (202) 347-1678
National Press Bldg., Rm. 1269
Washington, DC 20045

San Francisco (415) 421-9815
115 Sansome Street, Rm. 812
San Francisco, CA 94104

Jacksonville 1-800/874-6422
(904) 355-2601
Telex: 70-3471
33 South Hogan St., Suite 230
P.O. Box 4728
Jacksonville, FL 32201



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**AMERICAN
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LINES**

Washington Circles



By Tony Beargie

Chief executive officers of all of the U.S. flag liner companies and the nation's maritime unions will be meeting privately with House Merchant Marine & Fisheries Committee chairman Walter B. Jones (D-NC) during the month of December and the first two weeks of January to discuss legislative strategy aimed at getting an urgently needed maritime promotional reform program through Congress.

Indeed, the unquestioned urgency to pass subsidy and trade route reform legislation in the upcoming congressional session prompted Jones to hold the unprecedented one-on-one meetings which will be held in the committee chairman's Capitol Hill office.

Aside from the liner and union CEOs, Jones is also scheduled to meet with the heads of some of the major shipbuilding firms, tanker companies, bulk operators, and Jones Act companies. "He will be personally seeing 'who's who' in the maritime industry," the Merchant Marine & Fisheries Committee's chief counsel Ed Welch said.

The private back-to-back meetings are a "first" for the industry and the committee chairman, for while Jones has met with the CEOs collectively, this is the first time he has called them in for private sessions "one after another," Welch said.

The objective of the talks is to obtain candid opinions as to what the CEOs want and need in the maritime reform area. Because of the private sessions, the heads of the various companies "can be sure their own message will go straight to (chairman) Jones, rather than having the information filtered through lobbyists or committee staff members," Welch said.

Aside from industry heads, Jones will also meet privately with Administration officials, including Maritime Administrator John Gaughan, who was scheduled to talk with the committee chairman December 12.

After the meetings are wrapped up in mid-January, chairman Jones hopes to have a bill ready for consideration some time in February, Welch said.

★ ★ ★ ★ ★

How the U.S. Lines development will affect both Congress and the Administration still remains to be seen. However, a highly-respected liner official voiced doubts that the U.S. Lines situation will bring about a change from the Administration, particularly at this time when key White House policy makers are embroiled in the Iranian crisis.

Despite the seriousness of the U.S. Lines problem, this

source (who knows the ways of Washington inside and out) feels that the Reagan Administration is so glued to its policy that it is "almost jolt proof." In other words, there is a feeling in the private sector that the USL development will not be enough to shake the Administration up.

In order for policy change to occur, it must come from the White House itself, which is now tied up in the Iranian situation, it was noted. "Policy change is something we need, and we need it now," he said, "but I don't think they're (meaning White House officials) going to wake up now because they're so distracted with the Iranian crisis."

The liner companies, however, will again be pushing for many of the points contained in the Administration's proposed program—namely the right to build abroad and still be eligible for operating-differential-subsidy. However, sources feel that this might be an even more difficult objective to achieve this year because of the shipbuilding industry's (through the Shipbuilders Council of America) plan to beef up its lobbying efforts on Capitol Hill. Indeed, the shipbuilders have made it more than clear that they "are back" and will exert all the muscle they can on Capitol Hill. This could produce trouble for the foreign building option.

As an interim measure, that might help the liner industry "for two or three years," some in the industry might seek subsidy for their vessels already built abroad, but which are now operating without government financial support.

★ ★ ★ ★ ★

The maritime industry is gearing up to take part in the 1987 Trade Bill which is expected to be dropped in the Congressional hopper in early January.

Although the new bill had not been printed as this publication approached its deadline, the bill will carry the number "H.R. 3," it has been learned. (A congressional source said it is possible to "reserve a bill number" before the actual legislation is out in printed form.)

The maritime industry's input is already being viewed as serious business on the trade legislation, and has received high priority in both industry and labor circles.

"The maritime industry wants to be sure it is not left out of this. They'll push for issues that affect the carriers in the bill," a legislative spokesman said. One of the issues most certainly to be addressed is the ever-present non-tariff barriers to trade that make it more difficult for both carriers and U.S. exporters to compete in

international commerce, it was noted.

In the House, the legislation will be handled by the Ways and Means Committee. And, on the Senate side, the Finance Committee will be the chief committee of jurisdiction.

But, in any event, the importance the industry is attaching to the legislation shows that the maritime lobby will be branching out more in order to obtain its objectives including a possible move to get bilateral agreements with U.S. trading partners written into the legislation.

The feeling is that, unlike last year, Congress now has the votes to override a presidential veto.

★ ★ ★ ★ ★

A three-year extension of the U.S./Brazil maritime agreement was concluded the second week of December. The decision gives a boost to United States Line's continued Latin operation, but opens the door to transhipped cargo—something Sea-Land has been seeking for years as a preliminary to entering the Brazil trade.

The long-standing agreement is being billed by MarAd as an "equal access agreement," since it opens up access to cargo in the bilateral trades for both national (meaning U.S. and Brazilian) and third-flag shipping lines.

Whether or not American exporters and importers will be happy with the agreement remains to be seen.

The U.S. negotiating team, headed by maritime administrator John Gaughan, reiterated its well-known position that "a more competitive ocean shipping regime should increasingly predominate in the bilateral trade." Here, the Brazilians were said to acknowledge this position, and noted that cargo subject to that nation's reservation law "continues to decline."

The agreement clearly states that the national flag carriers will get equal access to government-controlled cargoes in the trade, but this will not apply to U.S. exports of agricultural preference cargo or to defense cargo of either nation. But, the amount not reserved for U.S. flag carriers will be available to Brazilian flag vessels, the agreement stated.

Non-government controlled cargo will be made available to *any* carrier, "without regard to the nationality of the vessels" serving the trade as long as they meet the terms of legislation in force both in the U.S. and Brazil, the agreement said.

The agreement spells out the right of carriers to tranship or relay cargo if it originates either in Brazil and the U.S. and is destined for either the U.S. or Brazil.

The two nations also agreed to take measures "they deem appropriate to promote the development of intermodal service and intermodal rate making," and both agreed not to adopt measures which would interfere with the development of intermodalism.

Non-vessel-operating common carriers' tariffs and shipping documents registered under U.S. laws "shall be recognized and given effect in the southbound trade

between the parties," the agreement said.

Other provisions of the agreement state:

- "When the ocean freight portion of an intermodal shipment is clearly identified in the appropriate shipping document, the Brazilian tax for the renewal of the merchant marine shall be applied only to (the) ocean portion.

- "The availability period used by SUNAMAM (the Brazilian government office) to determine whether waivers for the carriage of government-controlled cargo by non-national vessels may be granted shall consist of no more than three days before and seven days after the shippers' requested sailing date. SUNAMAM will respond to waivers request within three working days of receipt.

- "The Government of Brazil and the U.S. Government, upon request by a shipper, carrier or other interested party will advise in writing within four working days if a specific cargo is under the laws of controlled cargo and the basis for such characterization.

- "The parties will regularly exchange timely information on the value and tons of their respective government-controlled cargo in the bilateral trade.

- "The national-flag vessels of each party shall have access to cargo in the third-country trades of the other party subject to the laws, regulations, and international agreements of each party.

- "Either party may require consultations concerning the interpretation, implementation, or amendment of this Agreement by giving the other party written notice of such consultations at least 30 days in advance of their occurrence."

★ ★ ★ ★ ★

Discussions which have been taking place between the Seafarers International Union and the National Maritime Union over the possibility of merging the two large seafaring unions are now "on hold."

★ ★ ★ ★ ★

The long-awaited "Commission on Merchant Marine and Defense" has finally been put into action.

The Commission is largely the work of Rep. Charles E. Bennett (D-FL), chairman of the House Armed Services Committee's Seapower Subcommittee. Rep. Bennett is also a member of the House Merchant Marine & Fisheries Committee. Private sector commission members who were sworn in on December 3 by Federal District Court Judge June Green are:

Shannon J. Wall, President of NMU of North America.

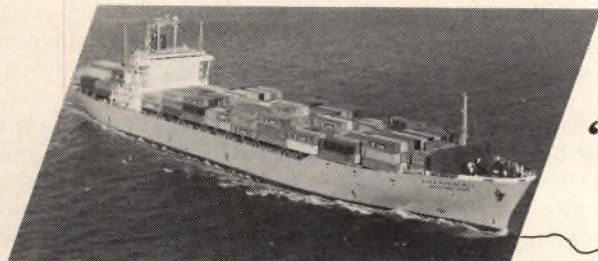
Admiral James L. Holloway III. Admiral Holloway is president of Council of American Flag Ship Operators (CASO).

Joseph Seawall, consulting engineer, of Old Town, Maine.

William E. Haggett, president and chief executive officer of Bath Iron Works Corporation, Bath, Maine.



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USL Begins Rebuilding

Charles I. Hiltzheimer called in as president and CEO of McLean Industries; replaces William Bru as chairman of U.S. Lines following Chapter 11 filing. By Bruce Vail

The question of the hour is whether a slimmed-down United States Lines can continue as a commercially viable container carrier. With no model available of a large operator successfully emerging from a Chapter 11 bankruptcy, the line's management will be breaking new ground if they can accomplish the task of keeping the line afloat. As the lawyers were filing papers in the bankruptcy court of the Southern District of New York, steps were already being taken to stanch the flow of mounting losses. Some 1,200 employees who supported the round-the-world and transatlantic services were dismissed. The bulk of USL's fleet was sent into layup and new management was brought in.

In a widely-acclaimed move, Charles I. Hiltzheimer, former top executive at Sea-Land and long-time associate of Malcom McLean, was chosen as president and chief executive officer of McLean Industries, Inc. Additionally, he assumed the posts of chairman and chief executive officer of U.S. Lines and U.S. Lines (S.A.), posts formerly held by William Bru. McLean retains his chairmanship of the parent group.

Hiltzheimer was an early member of the McLean management team at Sea-Land. He attracted McLean's attention by successfully managing the Gulf-Puerto Rico service. Later, Hiltzheimer was assigned to the Alaska trade and the transpacific, which he built into Sea-Land's most profitable operation. That subsequently led to his appointment as president of Sea-Land Service and chairman of Sea-Land Industries, a position he resigned as Sea-Land was being spun off from RJR Industries.

Government Aid. A hopeful sign for the survival of U.S. Lines is a signal from Washington that the government is willing to help, although no direct bailout is anticipated. Despite the Chapter 11 filing, in which the government is named as a major creditor, the company will con-

tinue to get money from Washington. Operating-Differential-Subsidy payments, as well as freight charges on military shipments, will continue to flow into USL accounts.

Informal indications from MarAd also suggest the government will act to keep at least part of USL's fleet of giant containerhips under the American flag. This could relieve some pressure from creditors holding mortgages on vessels.

Commercial Realities. This implicit government support will be crucial if the line is to emerge from its difficulties.

The two services the liner company will maintain—a six-vessel transpacific service and a six-vessel South American service—are dependent, at least to some degree, on government support.

Military cargo is especially important to USL in the transpacific, as the structure of the remaining service there indicates. Outbound voyages in this service stop first at Honolulu and Guam before heading to the cargo-rich ports of the Far East. USL has thus put a priority on military shipments on the westbound leg of its Pacific voyages. These port calls put USL at a competitive disadvantage over other Pacific operators who carry U.S. exports to market without making these stops. The continued usefulness of membership in the Transpacific Westbound Rate Agreement was therefore obviated, and the carrier is slated to drop its membership in the group January 29.

The rates USL will be able to offer as an independent on this leg should allow it to compete more effectively for commercial exports from this country.

Conferences. USL also announced it will drop out of the conference governing rates for all-water service from the Far East to the U.S. Atlantic coast. The discontinuation of the round-the-world service ends USL's participation in that trade. But the line will continue membership in the Asia North America Eastbound Rate Agreement and the eastbound conference setting rates from Japan to the U.S. West Coast, according to USL's public relations director Gina Bonacci.

Industry commentators had mixed reactions to USL's assertions that it will remain a member of ANERA and the Japan conference. One argument holds this is the only sensible course of action, given the overall profitability of carrying Far Eastern imports to the United States. By maintaining conference membership, USL maximizes revenues on what is probably the most lucrative trade route in the world.

On the other hand, it is argued that Far Eastern shippers will decline to pay the conference rate to a line already in bankruptcy court and with an uncertain fu-

ture. This argument further holds that USL must offer some incentive—presumably in the form of discounted rates—to hold and/or attract skittish shippers.

South of the Border. The South American operation looks good for USL as it is the only American flag service to Argentina, Brazil and Venezuela. The company has publicly asserted this is a profitable route for them and service arrangements are essentially unchanged.

But there could be problems, as USL must have sufficient cash flow to pay the \$42,000 per day in charter hire for three vessels under long-term charter from Crowley Maritime. At *American Shipper* presstime, the two shipping companies told the bankruptcy judge in New York that arrangements were incomplete.

Depending on the attitude of USL's creditors, the South American operation could be sold if no agreement with Crowley can be reached. Sea-Land has long had an interest in getting into this trade, but the restructuring of that company following its acquisition by CSX brings into question if it currently has the resources to begin new services.

Observers will keep their eye on what happens with the South American service as an indicator of how much support creditors (Crowley Maritime being prominent among them) are giving USL's reorganization efforts.

Creditor Support. Details of the financial reorganization of USL were being withheld but some of the actions—or, more precisely, some of the actions not taken—by creditors offer a clue to what is going on.

If there were not some type of agreement among the line's U.S.-based creditors, it is fair to assume they would be arresting USL vessels all over the place. This had not happened in the two weeks following the Chapter 11 filing, clearly pointing to some agreement to allow Hiltzheimer time to straighten out the line's affairs.

The vessel arrests that occurred prior to December 10—in Bremen, Singapore and Hong Kong—were done on the initiative of non-U.S. creditors. These three arrests, taking place over a period of 15 days, do not point to a general panic by creditors. A bad sign, however, was that USL was unable to move quickly to satisfy the liens and free the ships.

Time. In any event, the path USL will travel in 1987 will be largely determined by the creditors committee that is always established after a Chapter 11 filing. The committee had not been formed at *American Shipper* presstime but was expected to organize itself in early January. ■

CSX/SP Transcontinental Stack Train Planned

SP train from California may link up with dedicated intermodal train 'Gulf Wind' which began operating December 1 from South Atlantic ports to New Orleans.

CSX Transportation on December 1 began operating a dedicated intermodal train linking Florida and South Atlantic ports to Mobile and New Orleans.

The train is named "Gulf Wind" after the elite passenger train which once operated overnight between Jacksonville and New Orleans.

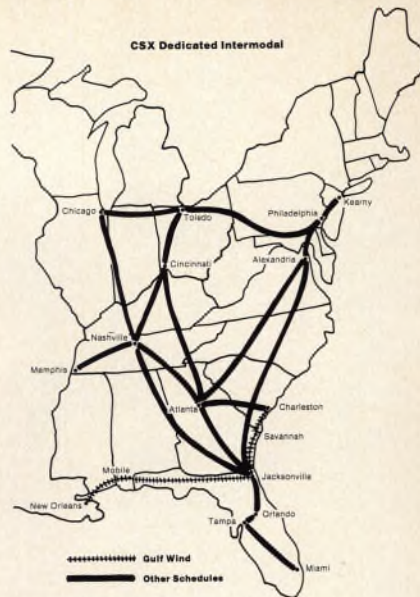
"Gulf Wind" originates at Charleston on its westbound trip, picking up cars in Savannah and arriving in Jacksonville during the early morning hours. Trains from Tampa, Miami and Orlando connect with "Gulf Wind" in Jacksonville.

The train for the first time links the markets of the Gulf and South Atlantic Coasts with direct, timely intermodal service, CSX reported. Transit times are reduced a full day between some points and up to three days for others.

Noel Perry, director of intermodal marketing for CSX Distribution Services in Baltimore, advised CSX wholesale contract customers, "We have good connections with several railroads at New Orleans already and are working with them to add to the time savings provided by the CSX portion of the through trip."

One of the available connections is with Southern Pacific Railroad, with which CSX is considering a transcontinental double-stack service, *American Shipper* learned.

"The train fills a gap in our Southeastern intermodal services," said Ted J. Bembenek, Jr., national account manager for ocean carriers for CSX. "We are encouraged by the rapid economic growth in this region and the expanded opportunity to link with international markets."



Piggyback freight traffic (TOFC and COFC) on major railroads during the first 47 weeks of 1986 totalled 4,549,043 trailers and/or containers, up 9.3% from 1985.

Hazardous Materials Procedures

Steamship lines go to great lengths to comply with safety regulations imposed by the U.S. Coast Guard on the handling of hazardous materials at ocean terminals and aboard ships. These efforts are frustrated, however, when shippers fail to provide carriers with precise and accurate information about the cargo.

One such failure on the part of a shipper was described in *American Shipper* (September issue) under the title "Hazardous Documents." The article described an accident which took place aboard a Navieras de Puerto Rico trailership loading in Jacksonville. The shipper had sent along documents describing cargo in the trailer as "empty plastic containers" when in fact the trailer contained drums of hydrochloric acid and other undeclared items.

Faulty documentation allowed the acid cargo to slip through the safety net of procedures which Navieras' agent, Puerto Rico Marine Management, Inc., had set up to assure that hazardous materials are properly handled.

Donald P. Hamm, senior vice president, operations, said PRMMI's procedures begin at the time a booking is made.

"When cargo arrives at our facilities, its accompanying documents are checked against the original booking information and, if all is in order, the unit is assigned

to the vessel.

"Once this occurs, our computer system immediately supplies Vessel Operations with the information, backed by hard copies of the actual documentation, so that prestowage plans can be made. The efficient operation of our vessels requires that cargo weight be distributed systematically throughout each ship.

"If a trailer arrives close to vessel departure time, it will be accepted, but if it contains hazardous material it runs the risk of not being loaded."

Eight Procedures. PRMMI has eight procedures which must be completed before hazardous cargo is loaded:

- Review of documents by Special Commodities department.
- A CFR (Code of Federal Regulations) manual is checked by PRMMI staff to ensure that the description and classification of the commodity is correct.
- Trailer inspection and document review by receiving personnel for correct placarding.
- Entry of information into computer system with copy to marine department.
- Marine receives copy of the bill of lading.
- Marine department double checks placards on unit.
- Marine prestows hazardous cargo in

accordance with USCG regulations.

- A hazardous cargo manifest is prepared by the marine department.

The position(s) of hazardous cargo on vessel is noted. A copy of the hazardous cargo manifest is placed aboard vessel prior to sailing.

Forrow Is Appointed EVP/Financial at TFL

Michael Forrow has been named executive vice president-chief financial officer of Trans Freight Lines in Wayne, N.J., it was announced by John R. Arwood, CEO.



Forrow

Forrow will assume the responsibility for new trade development with TFL, in addition to his financial duties. He has been for many years in a senior management position with Overseas Containers,

Ltd. and most recently acted as coordinator for the establishment of the OCL-TNT partnership as joint owners of Trans Freight Lines, which offers regular weekly service to Europe and the Mediterranean via ports on the U.S. Atlantic and Gulf Coasts. ■



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Do EIAs Belong in Tariffs?

American President Lines and a group of Atlantic carriers are fighting over whether certain equipment agreements should be subject to tariff filing requirements. By Bruce Vail

Carriers will soon enter the third year of a dispute over how much information should be disclosed in the tariffs they are required to file before the Federal Maritime Commission. The row has not aroused much interest by shippers, but has occupied the attentions of some heavyweights on the carrier side.

An administrative law judge is now writing his decision following hearings held in Washington this summer and fall. His opinion will be submitted to the full Commission, which will then have to decide whether carriers are required to file "equipment interchange agreements" as part of their tariffs.

One major U.S.-flag carrier—American President Lines—has implied other carriers are using these agreements in ways not entirely kosher under the 1984 Shipping Act. APL suggested these carriers are specifically using the free time and detention charges on container equipment as a method of indirectly rebating inland transport costs to favored shippers.

APL Started It. As earlier reported in *American Shipper*, APL attorneys went to the Commission and requested that tariff filing rules be broadened to include the terms of equipment agreements between ocean carriers and inland

carriers. This requirement would also include agreements between ocean carriers and shippers with their own motor carrier operations (see *American Shipper*, May 1985, page 14).

According to a source close to the APL side of this case (who declined to be identified), this action was precipitated by APL's awareness that some transpacific tariffs included equipment detention tariffs, but others did not. More specifically, equipment handled under "equipment interchange agreements (EIAs)" was not covered by the tariff filing requirement.

So, off to the FMC went APL, where their position was ultimately smiled upon by the office of the Commission's Hearing Counsel. The Hearing Counsel agreed with APL that EIAs should be filed as part of the tariff.

Enter NEC. But, since nothing is ever simple in Washington, other parties chose to challenge APL's assertion that EIAs are properly part of the tariff. Foremost among them was the redoubtable Howard Levy, attorney for the North European Conferences. Levy is representing, in this case, the members of the U.S. Atlantic-North Europe Conference (ANEC), North Europe-U.S. Atlantic Conference (NEAC), North Europe-U.S. Gulf Freight Association (NEGFA), and the Gulf-European Freight Association (GEFA). Two members of these groups, Trans Freight Lines and Lykes Lines, have chosen not to join their brethren in pursuing this matter.

Levy has been very active in trying to block implementation of the new rule and has filed voluminous legal documents in the case. His opposition, along with that of some other carrier groups, prompted the Commission to take the unusual step of referring the matter to a hearing before an administrative law judge. Briefs and affidavits were filed and testimony was taken, notably from ANEC chief Harvey Flitter and APL's Michael Diaz, vice president for North America at the line.

Levy has attacked the proposed rule on three major fronts. Firstly, he claims the FMC is without jurisdiction in this case. Because the vast majority of EIAs are made between ocean and inland carriers, not shippers, the Commission is without authority to require their filing in an ocean tariff, Levy asserts.

If this argument is rejected, then EIAs should be exempted from the new rule, Levy further argues. They should be exempted because such filings serve no useful purpose, according to Levy, and would impose onerous paperwork burdens on the carriers and conferences.

Leaving no element of the whole proceeding unattacked, Levy thirdly argues

that the entire process of this rulemaking was improperly handled.

Even if FMC has jurisdiction, and declines to give the desired exemptions, the entire process of rulemaking is in violation of legally-mandated procedures, the Conference attorney charges.

The Issue. The layman could well ask what all this fuss is really about.

As referred to above, American President Lines has suggested that other unspecified carriers are using equipment agreements (that currently are not subject to regulatory review) in a manner that is inappropriate. The logical inference is the rules are being stretched to benefit some shippers to the detriment of others. American President has chosen not to provide any real world examples of this practice or how it hurts APL.

The argument against the new rule boils down to the supposition that it is unnecessary and will only increase the paperwork required of carriers. It would also introduce FMC regulation into a new area, an idea that seems somewhat at odds with overall Commission policy since the '84 Act was passed.

All kinds of side issues have been introduced into this case as well. Levy, for instance, has attempted to impugn the motives of APL by saying the line brought the case forward as a method of improving its own position *vis-a-vis* its competitors. Because certain types of equipment agreements are exempted from the proposed rule (such as those involving railroads and those involving through intermodal ocean carrier service) and APL makes wide use of these kinds of agreements, the rule would impose heavier obligations on APL's competitors than on APL itself.

Resolution. As far as shippers are concerned, the resolution of this matter is relevant only to the extent that his or her carrier is offering extremely liberal and/or discriminatory equipment arrangements. If APL is able to get its way, these arrangements may become less liberal.

As far as the FMC case goes, there are a number of different ways this can be resolved. The Commission is, of course, at liberty to drop it at any time. By the same token, it has the power to impose the rule in its current or modified form. The interests in contention here are then free to pursue all kinds of other legal action should there be some resolution unpleasant to them.

Anyway, shippers with a special interest in carrier-owned equipment arrangements should keep their eye out for the coming decision from the administrative law judge. This decision will likely set the framework for the continuing dispute over the issue. ■

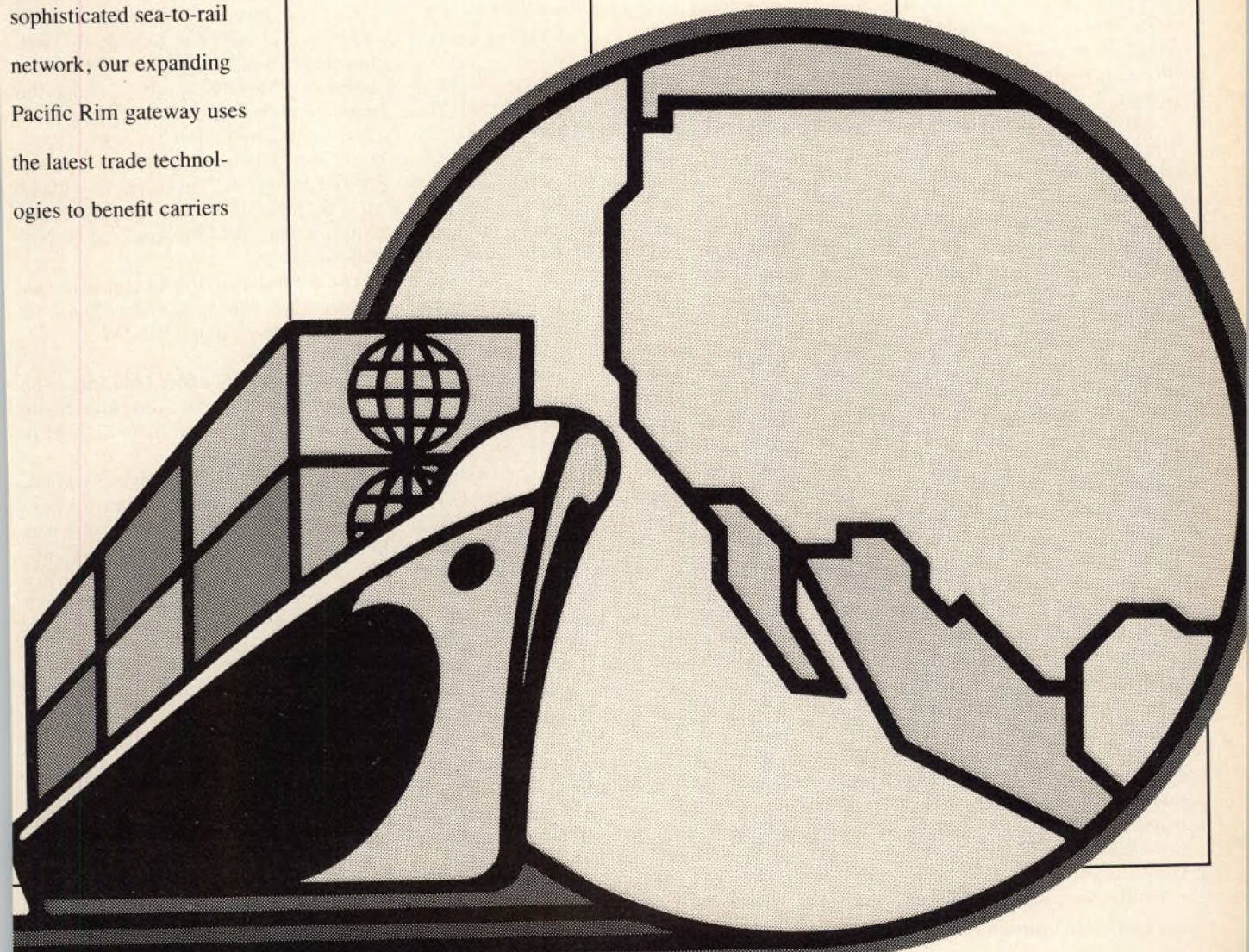
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Brokers Want Change in Fee System

Antitrust laws make unified approach to problem difficult in U.S. Lump sum arrangements and incentive fees proposed.

By Bruce Vail

Bankruptcies of shipowning companies, generally lower freight rates and a tendency by large shipping lines to establish their own in-house agencies have all taken their toll on the general agency business.

In response, the Federation of National Associations of Ship Brokers and Agents has issued a call for help. This group, made up of trade associations of brokers and agents in 18 countries, wants some change in the traditional methods of agent compensation.

Without being at all specific, the international group of agents resolved that "A new compensation structure should be evolved that would permit ongoing efficient and productive representation for the lines while permitting the agent to function on a sound financial basis."

Rationale. To support this call, the Federation noted that "The present crisis in shipping including the decline in liner freight rates to alarmingly low levels has resulted in uneconomic revenues to all those whose incomes are linked with freight."

Virginia M. Dougherty, secretary of the Association of Ship Brokers & Agents (USA), said her organization was in emphatic agreement with the international Federation. Although the U.S. organization is oriented more toward tramp shipping and chartering than toward liner agency operations, both groups face similar problems, she said. With commissions linked to the freight costs and freight rates at record low levels on many routes, the agent's share has become "unremunerative," according to Dougherty.

Examples. Michael McCarthy, a former charter broker who now works in the distribution department of Mitsubishi International, was able to confirm Dougherty's assertion on an anecdotal basis. He said he had heard complaints from one of the brokers he does business with that the broker fixed more ships this year than last year, yet made less money.

Citing one of his statistical reference books, McCarthy noted that in 1981 there was \$35 billion in worldwide grain fixtures recorded. In 1986, only \$9 billion had been recorded (not for the full year), representing a rather dramatic decline in the amount of cash available for commissions.

On the liner agency side, Dick Motta

of Kerr Steamship Co. noted, "as freight rates go lower, our share goes lower." But "owners tend to feel that if prices go up the agent shouldn't necessarily get more," Motta said.

Solution. Motta went on to note that some of the member associations in the Federation are allowed to set fees in their own countries. This is not permitted in the United States so it is difficult for a group like the Association of Ship Brokers & Agents (USA) to take any concrete action to bolster the agency business.

Individual agents will have to go to their principals individually to negotiate

FMC Sets Taiwan Rate Probe

After going through information supplied by Yang Ming Marine Transport, Evergreen Marine Corporation and Orient Overseas Container Line, Inc., the Federal Maritime Commission voted to launch a full-scale investigation into the rate setting practices by the three shipping lines in the U.S.-Taiwan Trade.

By Tony Beargie

Culminating the first stage of a probe in the rate setting practices of three foreign flag steamship lines in the U.S.-Taiwan trade, the Federal Maritime Commission has now ordered a formal investigation to determine whether Yang Ming Marine Transport, Evergreen Marine Corporation and Orient Overseas Container Line have violated the 1984 Shipping Act by attempting to set rates in the trade without having an agreement on file with the agency.

The investigation order resulted from a relatively wide-ranging "Section 15 order" issued on the day before Christmas in 1985, in which the three shipping lines were asked to respond to a number of questions relating to their rate setting practices in the trade. The FMC further left open the possibility that the carriers "may have been paying rebates" to their customers.

As long as a year ago, the FMC said it had information that raised "the possibility that the carriers may have acted either with advance notice of each other's rate actions or in a concerted manner."

Such conduct would be a clear violation of the 1984 Shipping Act. (For coverage of the Commission's initial order which shows significant rate fluctuations in the trade, see the February 1986 issue of *American Shipper*, page 54.)

In the case at hand, the FMC will also

non-traditional systems of compensation. But, industry conditions being what they are, he added, this is not an especially promising time for agents to be getting more money out of shipowners.

Back at the association, Secretary Dougherty was wary about suggesting any specific ways to remedy this problem. Any action by the association to drive up agency fees in general would likely attract the attention of government's antitrust regulators, she indicated.

Citing the minutes of the Marseille meeting at which the above resolution was passed, Dougherty suggested that lump sum arrangements or incentive commissions might be possible alternatives to the traditional freight percentage method of agent compensation. ■

be looking into the carriers' membership in two Taiwan trade organizations. Those organizations are the Association of Shipping Services (AOSS) and its predecessor, the Overseas Joint Shipping Office (OJSO).

Replies by the carriers to the Section 15 order issued in December of 1985 indicate that between January 1, 1983, and November 30, 1985, the carriers targeted by the FMC probe, "under the aegis" of the two Taiwan trade organizations mentioned above, "held discussions and attempted to set rates in the United States to Taiwan trade without an effective agreement on file at the Commission," the FMC order of investigation said.

The information shows apparent violations of several sections of the Shipping Act, the Commission indicated.

Vote Came in Closed Meeting. The FMC unanimously voted to investigate the carriers at a closed meeting held in late November.

The vote was taken in closed session, rather than in an open forum, because discussion of the case at that time was likely to concern the issuing of a subpoena, "or the agency's participation in a civil action or proceeding, an action in a foreign court, or international tribunal. ..."

The investigation has been turned over to Federal Maritime Commission administrative law judge Joseph N. Ingolia, who was ordered to issue an initial decision by November 15, 1987. The Commission placed a March 25, 1988 deadline on itself for handing down a final ruling.

For record purposes, the investigation has been filed in FMC Docket number 86-30. ■



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'Go Forward' on Tariff Automation

FMC is advised to "keep it small and simple." Committee is in agreement on most points, though private consulting firms could lobby against the project if FMC attempts to provide analysis of data which system will generate.

By Tony Beargie

Meeting with a cross-section of the maritime industry, the Federal Maritime Commission was advised recently that if it wants Congressional support for tariff automation at the agency to come up with a "small and simple" system.

Indeed, the big question posed at a meeting with freight forwarders, non-vessel-operating common carriers, liner conferences, ports, liner operators, shippers and information service firms was—who is going to pay for an automated tariff system so badly needed by the agency.

Just about everyone attending the meeting agreed there is a strong need for automation at the agency, which manually handles about 600,000 pages of tariff information per year.

But, it was agreed that the major question is whether the benefits of automation will outweigh the costs. The general view among the conference participants was that the users should not be saddled with expensive fees.

Perhaps Stuart Stone of the National Customs & Forwarders Association did the best job in conveying the industry participants' viewpoint to the FMC on the possibility of moving forward with tariff automation. "If you keep it small and simple, this would increase your odds of getting congressional funding" for the project, Stone said.

'Who Pays ... And How?' And, for the FMC to be better equipped to go to Congress for support, Stone urged the agency to go forward with a cost-benefit analysis. Others attending the meeting agreed with Stone's recommendation. W.E. Reinka of Zephyr Container Line echoed Stone's advice by calling on the Commission to develop a cost effectiveness presentation. The FMC, Reinka said, must face the question of "who pays for this (automated tariff system) and how."

The Zephyr Container Line spokesman said he agreed with others who held that since the FMC would be the "major benefactor" of automation, the agency should absorb the major portion of the costs.

While participants made it clear they would not pay expensive user fees, industry representatives generally were of the view that a low cost fee could be

acceptable.

For example, Stone said that user fees priced on a "marginal basis could be a possibility."

Harvey Flitter, speaking for the liner conference carriers, agreed that user fees will be an issue, but foresaw no problems with the liner conferences if they are "reasonable."

FMC Urged to Look at Customs. In order to keep the system "small and simple," Stone called on the Commission to turn its focus away from a proposal put forth by the Securities and Exchange Commission, and instead to turn its attention to the system already in place at the U.S. Customs Service.

"In January we looked at the SEC and I'm not sure that is the proper model," Stone said. Instead, the agency was advised to look at the system in place at the U.S. Customs Service which operates without a general user fee. Stone's association has "worked closely" with the Customs Service, and one of the benefits of that system is quick service, he said.

Stone also indicated the possibility of the FMC using private vendors to its advantage. "I wonder if the FMC might take another look into using third party vendors for awhile, perhaps up to 1989," he said.

Speaking for the U.S. port industry, Thomas J. Tomasco, like other industry spokesmen attending the meeting, supported the concept of tariff automation, but also called on the FMC to allow the port industry the choice of filing in hard copy format because of the size of port tariffs.

Also, if there are to be filing fees (which were generally opposed), they should be based on requests for information rather than on the volume of data filed with the FMC, Tomasco said. "There should be no burden on those who file, but rather this should be on those who want the information," the port industry spokesman said.

Shipper: 'Go Forward.' E.I. DuPont de Nemours' Gerald M. Hanson, who spoke for shippers at the meeting, said exporters and importers feel that the FMC "should go forward" with tariff automation, although "we see little direct benefit to us."

And, when Congress reviews the Shipping Act in 1989, the need for automation would disappear if tariff filing is eliminated under the law, Hanson said. But most agreed that tariff filing will be retained by Congress when it reviews the Shipping Act in 1989.

David Peyton of the Information Industry Association said "it seems clear" that the Commission will have to come out with a proposed rulemaking on the automation venture.

Somewhere along the line, Peyton said, because of the Office of Management & Budget, it would have to be shown that the benefits of automation outweigh the costs. If it turns out that the benefits do not outweigh the costs, "it should be rejected," Peyton said.

Peyton, who spoke for the information service firms, said that his industry would like to put together a matrix of systems and offer the public a demonstration on the state of the art.

But, "there is no reason to halt the effort now," he continued. "If there is a good request for proposals out on the street, then our job is largely done."

Speaking for the liner carriers, D.A. Grandt of American President Lines said the liner industry has agreed to take part in a detailed design and would pay for all travel costs incurred, should funding be of concern to the FMC.

Filing costs should be "zero," Grandt said, since the FMC would be the beneficiary of automation. As to retrieving information, he said carriers should have access to this at a minimal cost.

Feasibility Study. A study prepared by American Management Systems, Inc. concludes that tariff automation is feasible and that the total costs over a five-year timeframe would run about \$7.3 million.

If the FMC decides to go forward, the firm recommended the following sequence of steps:

1. Detailed design.
2. Procurement planning.
3. Procurement.
4. Prototype development, operations and evaluation.
5. Full-scale development, and long-run operations and maintenance.

Potential Objections. According to David Alexander of the firm that developed the feasibility study, FMC should not go into the business of analyzing information. This should be left to outside private firms, which conforms to government policy, Alexander said.

FMC vice chairman James J. Carey is heading up the automation issue at the FMC.

Carey noted that Congressional questions will center on the possibility of driving private sector firms out of business, and how the FMC would handle the Freedom of Information Act under automation.

A decision by FMC on whether or not to go forward with the project is expected in the very near future. ■

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Conglomerates Buy Into Hapag-Lloyd

Major shares in Hapag-Lloyd are taken by German and Belgian industrial combines. Further sales will be made. Company will rationalize Latin and Indonesia services with Hamburg Süd.
By Bruce Vail

One-quarter of the stock in the German shipping line Hapag-Lloyd has been purchased by European industrial interests. Valued at close to U.S. \$100 million, the transactions mark the first major distribution of Hapag-Lloyd shares under a plan announced in early 1986. That plan calls for the orderly sale of about half of Hapag-Lloyd's stock by the two banks that rescued the line when it ran into financial problems in 1982-3.

These banks, Dresdner Bank and Deutsche Bank, each accumulated 40% of the line's ownership when the company's operations were restructured. Both banks want to reduce their ownership to the level of about 15% each, according to Peter Bödecker, a member of the Hapag-Lloyd executive board. These recent sales, in which both banks shed shares equaling 12.5% of Hapag-Lloyd's total ownership, leave about one-quarter of the line's equity still up for sale.

Purchasers of the two stakes are giant industrial combines in Germany and Belgium. In Germany, Veba, a large conglomerate with heavy emphasis on coal and oil, has bought one-eighth of the company. Another one-eighth was purchased by Gevaert, a Belgian chemicals

concern with large investments in German industry.

Relationships. Neither of these companies has a direct customer relationship with Hapag-Lloyd, which operates tankers and bulkers as well as containerhips, Hapag-Lloyd officials said. Rather, the connections are among European financial and political elites with overlapping interests.

For example, senior executives of the two groups buying into the shipping company occupy seats on Hapag-Lloyd's supervisory board. Veba's Rudolf Von Bennigsen-Foerder and Gevaert's Andre Leysen have had access to the most private details of Hapag-Lloyd's operations as members of this board.

Veba, in addition, is partially owned by the government of West Germany, so there is that element of state participation. Veba is also a shareholder in such pillars of German industry as Volkswagen.

Gevaert, based in Antwerp, is a Belgian company in name but has interests transcending national borders. The name might be familiar in the United States as half of Agfa-Gevaert, but Hapag-Lloyd officials report Gevaert has divested its interest in this commercial and industrial film supply company. Gevaert is prominent in Germany itself through a large stake in Bayer, a leading chemicals and pharmaceuticals manufacturer.

It is reported by Hapag-Lloyd officials that these groups have acquired

shares of Hapag-Lloyd for "portfolio and investment purposes."

That statement implies the new shareholders will not be active in managing the line, but will leave that task to chairman Hans Jacob Kruse and his executive board.

Valuation. Hapag-Lloyd sources estimated the value of the company's stock to be about 650 million Deutschmarks. Currency exchange rates at *American Shipper* presstime showed that about one United States dollar could buy two Deutschmarks, making the Hapag-Lloyd stock worth about \$325 million U.S. dollars.

The two stock sales are reported at a face value of about 80 million Deutschmarks each, or about U.S. \$40 million. But some premium was paid by the buyers in order to get such large blocks of shares, for a total approximate value of about U.S. \$100 million, Hapag-Lloyd officials estimated.

Other Buyers. Much speculation remains as to who will buy the remaining Hapag-Lloyd shares on the market.

It has been widely rumored Hamburg Süd, a major German shipping company that trades under the name Columbus Line in the U.S., would take some shares. But Hapag-Lloyd officials in New York discounted this, despite some rationalization on an operating basis.

On November 26, both shipping companies (Hamburg-Süd and Hapag-Lloyd) announced they had "decided on a closer cooperation in order to meet the increasing international competition more effectively."

Hapag-Lloyd, with their inland organization, will take over the representation of the South America East Coast Service of Hamburg-Süd for Western Europe, and Hamburg-Süd will take over the South America East Coast Service of Hapag-Lloyd, A.G.

Hamburg-Süd will discontinue their present sailings between Europe and Indonesia.

"Possibilities with regard to further cooperation will be discussed," the lines stated.

More likely is a purchase by the German airline Lufthansa. The airline has expressed an interest, principally because Hapag-Lloyd also operates one of the largest travel agencies in Europe. And there is some political support for this, notably from Franz Josef Strauss, governor of Bavaria and an influential figure in German politics.

Also mentioned prominently is the Bundesbahn, the state-owned railway system. There would be no significant regulatory barriers to such a purchase in the U.S. ■



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ILWU & ILA Put a Hex on Canadian Work Rules

Two self-loading Canadian log vessels have been making waves at Washington State ports—to such a degree that those waves lapped ashore on the Great Lakes and in Washington, D.C. By Bruce Johnson

Because of a woods strike in British Columbia, Canadian mills have had to range farther afield to find logs. As part of that effort, two self-loading coastal vessels—the *Haida Brave* and *Haida Monarch*—have been loading logs out of Washington waters instead of B.C. waters.

What has made the Washington appearance of these vessels controversial is that the in-stream log loading has been done with on-board Canadian crane operators rather than members of

the International Longshoremen's & Warehousemen's Union (ILWU).

Under a September 1985 ruling by the U.S. Immigration and Naturalization Service, the operator of the vessels was permitted to employ foreign crewmembers as cargo handlers in American waters.

When the vessels, operated by Kingcombe Navigation Co. Ltd. of Vancouver, B.C., began loading logs in this manner at Washington ports in October, alarm bells were rung not only at Washington union locals but ILWU headquarters in San Francisco. A lawsuit was filed against the government by the ILWU, which contended that it was illegal for the INS to permit foreign crane operators to work in ILWU-jurisdiction American waters.

Besides raising a ruckus on the West Coast, the diversion in Washington state of historic longshore union work opportunity to foreign nationals quickly got the attention of the International Longshoremen's Association (ILA) on the other side of the country.

It seems that ILA locals in the Great Lakes have had a similar dilemma on their hands. This came in the form of Canadian steel vessels anchoring in harbors and discharging their cargoes into barges with the use of Canadian crewmembers instead of ILA shoreside crane drivers.

To Rescind Rule. As a result of all this, ILWU president James R. Herman and ILA president Teddy Gleason personally sat down with INS officials in Washington, D.C.

The result of that meeting was that INS agreed to rescind its controversial ruling following a 30-day review period ending in January, according to Ron Thornberry, an ILWU executive board member who is secretary of Local 32 at Everett, Wash., where the *Haida* vessel issue first came to a head.

Actually, the first two *Haida* vessel calls happened at Anacortes and Port Angeles, Wash. Everett got the third such vessel call.

Because a lot of the loading was being quickly done on weekends and during darkness, full-scale picketing by the ILWU did not begin until the *Haida Brave* anchored at Everett in mid-October. At last report, two more such vessel calls had occurred at Everett and *Haida* vessels had appeared as far away as Aberdeen and Longview, Wash., and Coos Bay, Ore.

Compromise in Olympia. The *Haida Monarch* also appeared at Olympia, Wash., to load logs off land rather than from water, as was the case with all other such vessel calls in American waters.

But there was no picketing at Olympia because Kingcombe agreed to hire four standby crane operators from Olympia's ILWU Local 47 while Canadian personnel manned the two on-board cranes. In effect, dispatched longshore crane drivers did nothing but watch the operation.

Four standby crane operators were dispatched because the loading of 2.5 million board feet of logs took about 12 hours—longer than a standard shift.

Port of Olympia executive director Doug Edison said the Canadian vessel's owners were quite cooperative in meeting with port and Local 47 officials prior to the *Haida Monarch's* call.

The *Monarch's* owners insisted that they had to have their own crane drivers because of peculiar methods needed for loading logs onto a vessel that is a self-dumper, he said. When a *Haida* vessel reaches its destination, tanks on one side are flooded and the vessel rolls over to dump its logs.

Unlike the situation at other ports where the *Haida* vessels called, the Port of Olympia was in a position to derive revenue from the *Monarch's* loading of logs stored on port-owned land.

There was never any question concerning ILWU personnel handling the logs ashore, Edison said. Standard-sized gangs were used to bundle the logs and deliver them to shipside with large log loaders, he reported.

China-Bound Logs Diverted. The Olympia situation was unusual because the Canadians—MacMillan Bloedel, in this case—had purchased some Olympia-stowed logs from the People's Republic of China. Because of China being adversely impacted by the decline in world oil prices, there has been a big cutback in China buying of logs, Edison noted. The previously purchased part shipload of logs at Olympia had deteriorated to a point where they were suitable only for pulping, he said in explaining how the Canadians wound up with the logs. As for water loading of the *Haida* vessels, both longshore and port officials at various Washington ports were concerned about the precedent being set if the INS did not rescind its rule.

"This could be a disaster for all of us," Thornberry said. "If this is legal, what is to stop a Korean five-hatch ship coming in and dropping anchor and loading logs with Korean nationals?"

Port of Everett acting director Phil Bannan agreed, saying that "you never know" what could develop in today's intensely competitive shipping environment.

"Everybody is looking to cut costs," he noted. "If this became a common practice," he said, ports could lose a lot of money and longshoremen, a lot of work. ■

Booking Cargo By Computer

Sea-Land offers a low-cost software package for shippers who want to electronically track or book their shipments.

By Bruce Vail

With the introduction of a new software system designed to allow shippers direct access to Sea-Land's international computer network, the company appears to have finally emerged from the corporate takeover wars and returned to the business of serving American importers and exporters.

In a ceremony introducing the new system, Sea-Land chairman and chief executive officer, Joseph F. Abely, Jr., said the new software—dubbed Sea-Trac—had been in development before the takeover bid launched by Harold Simmons and Sea-Land's subsequent rescue by CSX Corporation. Therefore, the new system, he said, is designed for use in the Sea-Land network as it exists today, rather than in any future integrated CSX-Sea-Land transport chain.

Nevertheless, "we consider (Sea-Trac) to be a great, long-awaited stride forward," Abely said. It "will be a particularly valuable management tool for the multinational shipper and for those manufacturers or retailers that depend on zero inventory 'just-in-time' logistics to speed production and reduce inventory costs," the chairman said.

Sea-Trac. As explained by Sea-Land's vice president for information systems Richard J. Beedenbender, the Sea-Trac system is designed to provide shippers a low-cost method of hooking into Sea-Land's vast data banks. Using a personal computer (of IBM brand name or IBM compatible equipment), a modem telephone hookup, and software provided by Sea-Land at no charge, the shipper can bypass the customer service representative and gather information directly

from the Sea-Land computers.

Beedenbender said the only continuing cost to the shipper is the price of local phone calls and any hardware—personal computer, modem, printer—not already present in the shipper's office. Sea-Land provides the necessary software and security devices at no charge.

Beedenbender emphasized the security features of the Sea-Trac system. Each customer is provided with a device allowing access only to information on his or her own shipments. It is virtually impossible, he asserted, for a shippers' competitors to search the system for information on other cargoes.



Beedenbender

Features. Beedenbender outlined the six features of the Sea-Trac program as follows:

- **Cargo Tracking.** This feature allows the shipper to determine the status of all of his shipments currently being handled by Sea-Land. It is not necessary for the shipper to specify information such as the booking number, bill of lading or container number since the computer already knows the shipper's identity.

- **Vessel Schedules.** An up-to-date schedule of vessel routes and sailing dates allows the shipper to determine the next available ship and the best possible route for the cargo. This is necessary information if a shipper wants to book cargo using Sea-Trac.

- **Cargo Booking.** Once the shipper has determined which vessel he wishes to use, he can book space on that ship electronically. By specifying the type of equipment being used, the Sea-Trac program can indicate whether space is available on the particular vessel. Shippers are able to book cargo on a round-the-clock basis and the need to call a Sea-Land booking office is eliminated.

- **Direct Inquiry.** Providing the shipper has a container number or bill of lading number, the Sea-Trac program will call forth information such as rates, charges, piece counts, marks and numbers. This feature provides more direct and detailed information than the cargo tracking function.

- **Telex.** Basically a free telex service for Sea-Land customers, this feature allows immediate electronic communication to any given Sea-Land office anywhere in the world.

- **Cargo Availability.** For importers of cargo, this feature identifies release requirements that have and have not been met. Used on a continuing basis, this will allow importers to identify and correct bottlenecks in clearing cargo at the dock.

Improvements Planned. Although the system is just being introduced, there are improvements to be offered in the very near future, Beedenbender said. The major improvement will be the addition of an electronic bill of lading service, he indicated.

In addition, there will be more information made available. For instance, in the current set-up a shipper can call up the last five movements of a particular trailer. With the additional information, the shipper can instantly refer to the last twenty-five movements.

The telex feature will be improved as well. While it is now possible for a shipper using Sea-Trac to send telexes to Sea-Land offices through the computer, a response would have to come either over the telephone or through a telex machine. With the planned improvement, the shipper can receive responses directly through the computer.

Also under development is a refinement through which shippers can gather information using the shipper's own numbering system.

It is not now possible for a shipper to call up data using an internal reference number, such as a purchase order number, but this service should be available in relatively short order, Beedenbender said.

Training. Beedenbender, along with Jack Drobnick, a senior vice president of Sea-Land Corporation, said the Sea-Trac system essentially puts a Sea-Land



Drobnick

customer service representative right in the shipper's office.

Although this system might theoretically allow Sea-Land to reduce its customer service staff, that is not Sea-Trac's purpose, nor are any reductions planned.

The executives also said this software is not targeted at large shippers specifically, although high-volume shippers might find it more useful than smaller ones.

Abely and his staff all stressed the ease of operation designed into the software package. If a shipper desires installation of this system, a representative is dispatched to the shipper's office to handle installation of the security device and to provide training in the program's use. Operational manuals and a 24-hour hotline of the system's use are provided.

Beedenbender added that Sea-Land salespeople are being instructed in the system's features so that the container-ship company's sales staff can also provide a support network for Sea-Trac users.

A.J.C. Books Cargo. In the process of developing the Sea-Trac system, Sea-Land convinced fifty of its U.S. customers to use the software on a trial basis. The idea was to iron out any bugs and evaluate the usefulness of the system's features to American shippers.

One of these shippers was Paul Orenstein of the A.J.C. company, an Atlanta-based exporter of foodstuffs. Orenstein reports his company is an important Sea-Land customer, moving 30 to 35 refrigerated containers per week from the mainland to Puerto Rico and other Caribbean region destinations.

"I agreed to be a guinea pig on one condition. I told them at the beginning if it was going to cost me any time, I couldn't use it. We're very busy here and our people work hard so we had to at least come out even on the time," Orenstein said.

Orenstein reports one of the more valuable features of the Sea-Trac system for his operation is the 24-hour access to the cargo tracking and booking functions. Bookings, along with checks on cargo status and vessel schedules, can be done after normal business hours. This allows Orenstein and his staff to devote the hours between nine and five to dealing with truckers, consignees and all the other people who are not available outside of standard business hours.

Sea-Trac and TOUCH - A Comparison

Sea-Trac is similar in many ways to the TOUCH system developed two years ago by Trans Freight Lines and described by TFL president John R. Arwood in a speech to the World Trade Club of St. Louis in September.

	Sea-Trac	TOUCH
• List of all shipments	Current	Back 45 days
• List bills of lading	Current	Back 45 days
• Current sailing schedules	Yes	Yes
• Container tracing	Yes	Yes
• Direct inquiry giving details of rates, piece counts, marks and numbers	Yes	Yes
• Electronic mail service	One-way	Two-way
• Cargo booking, subject to space available and confirmation	Yes	Yes
• Cargo release information	Yes	Yes
• Number of Users	About 50	N.A.

In addition, the Sea-Trac software has allowed A.J.C. to reduce the amount of time it takes to make a booking. The Sea-Trac package 'remembers' the bulk of the basic information needed for a booking, Orenstein said, and only the information relevant to a specific movement needs to be keyed in.

Diverting Cargo. Mike Donahue, manager of corporate traffic for Converse Shoe in North Redding, Mass., said he found the container tracking feature the most useful. On several occasions,

Donahue has been able to divert cargo from its original routing using the up-to-date information available on Sea-Trac, he said.

Donahue reports he is "very satisfied with it" and that "it would be awful hard to go back to the old system." It is much easier to assemble information on container movements and it reduces the cost of communicating with the carrier, he added. Both Donahue and Orenstein commented the system was very easy to use and required only a minimum of training. ■



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Scrambling For the KD Auto Cargo

On trip to Far East, DOT & MarAd officials switch attention from conventional auto trade to fast-growing 'knock down' (KD) shipments to U.S. assembly plants. By Tony Beargie

Deputy Transportation Secretary Jim Burnley and Maritime Administrator John Gaughan are satisfied that they succeeded in getting the message across to the Japanese and Koreans that trade problems inhibiting operations by U.S.-flag carriers in the Far East trade must be resolved quickly.

Noting that a large percentage of the automobile trade remains closed to U.S. carriers, Burnley demanded that this be expanded, and that U.S.-flag carriers be given the right to bid on auto parts (known as 'knock-down kits') that are shipped to Japanese-owned factories in the United States.

The auto parts trade is of high importance since this commerce is expected to undergo a strong growth in the years ahead, Burnley said.

According to information developed by MarAd's Office of Market Development, the so-called "KD" auto trade, as of March 31, 1986 (the end of the Japanese fiscal year), consisted of cargo that was used to assemble over 200,000 units. In contrast, as of the above date, some 2.3 million assembled auto and truck units moved from Japan to the U.S.

By 1990, according to a recent prediction by the Japanese Maritime Institute, approximately two million cars will be produced by Japanese companies located in the U.S. and Canada instead of being shipped from Japan as assembled units. "In light of this trend, Japanese carriers are reducing their fleet of pure car carriers, and K Line has ordered three complete "knock down" car carriers capable



Japan got the jump on Americans by designing ships like the 'M/V Toyo Fuji No. 14' (above) which can carry 4,700 assembled cars plus 120 FEUs of knocked down parts.

of carrying 4,500 passenger car equivalents in KD (knock down) sets for assembly at destination plants," MarAd's chief, division of commercial cargo W.R. Mitchell, Jr. wrote in a November 24 memorandum sent to MarAd's associate administrator for marketing and domestic enterprise Gary S. Misch.

According to the Mitchell memorandum, the major importers in the Japanese KD auto trade are:

- New United Motor Manufacturing, Inc., a joint Toyota/General Motors operation based in Fremont, California.
- Nissan Motor Manufacturing Corporation U.S.A., based in Smyrna, Tennessee.
- Honda of America Corporation, based in Marysville, Ohio.
- Mazda Motors of America, Inc., which is currently building an assembly plant in Michigan.

The Mitchell memorandum also contained trade information and projections regarding the major importers in the KD auto trade.

As to New United Motor Manufacturing, the memorandum stated that the Toyota-General Motors joint venture originally planned to move 700 FEU's per month to Oakland, California, starting in 1985, increasing to 1,000 FEU's per month in 1986. However, these figures may not have been realized.

"There have been rumors that this increase has not been as large as predicted because of (the) lack of public acceptance of the Nova (the car produced at Fremont)," the memo said. "Four U.S.-flag carriers were after this business, but only American President Lines has been successful and allowed to carry approximately 20 percent of the movement with the balance going to Japanese carriers, primarily K Line and NYK. Industry sources estimate approximately 7,600 FEU's moved between November 1985 and October 1986."

U.S. flag participation in the KD trade going to the Nissan plant in Smyrna, Tennessee, is about 30 percent, with the

remaining 70 percent moving on Japanese flag ships, the memo said. "Industry sources and plant officials both indicate annual import volume averages between 7,000 and 8,000 FEU's of truck components for assembly at this plant."

For the Honda plant in Ohio, "industry sources estimate current annual volume at 9,500 FEUs with some U.S.-flag participation," the memorandum said.

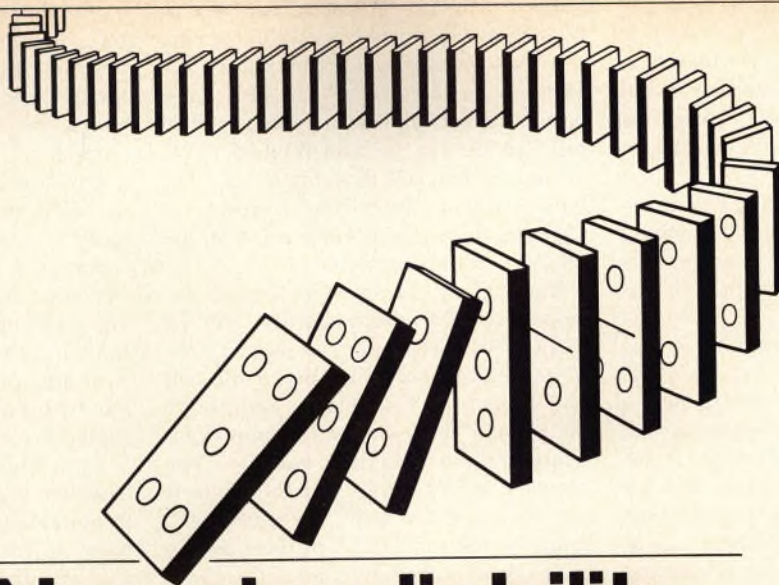
Beginning in the last half of 1987, the new Mazda plant in Michigan plans to receive 150 FEUs per week for the first 12 months, "after which they anticipate significant increases," the Mitchell memorandum stated. "If this plan holds, their first year volume will be approximately 7,500 FEU's. On their current parts imports for replacement and original parts supplied to Ford Motor Company, U.S.-flag ships participate to a significant degree."

"It is quite clear that we got the message across," Burnley said. "We were very direct, very blunt."

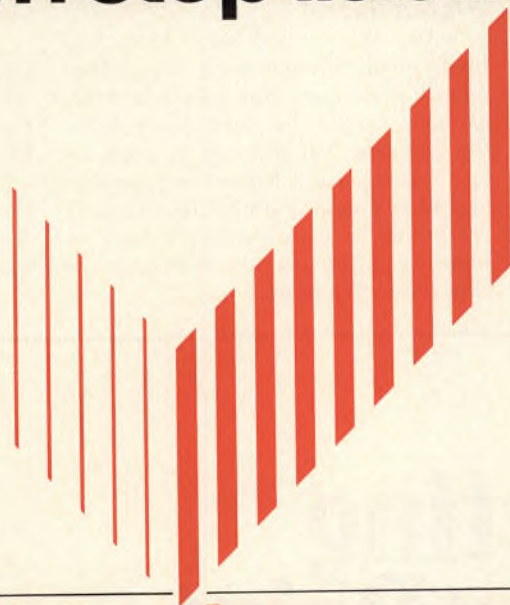
In Japan, the U.S. officials came away with the feeling that progress has been made in resolving problems U.S. carriers are still experiencing in having high-cube containers moved over Japanese roads. While the issue was tackled head-on by the U.S. delegation, Gaughan also met separately on the matter with the national policy and the Ministry of Construction.

Another issue addressed in strong terms was impediments by the Japanese on U.S. carriers in the tobacco leaf trade. Burnley said he voiced outrage over this problem which, he noted, has been "tested" by the Japanese for three years. Such testing, Burnley told the Japanese, is an "excuse" to delay more participation by U.S.-flag carriers in this trade. "We made it clear that we expect to see this trade opened up to U.S. carriers," the Transportation Deputy Secretary said.

As expected, the U.S. repeated hopes that Japan will reject the UNCTAD liner conference code, Burnley said. ■



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The Koreans. In Korea, "we did not detect much interest on their part in addressing our problems," Burnley said. However, Gaughan extended an invitation to the Korean deputy maritime administrator to come to Washington in the near future.

One of the problems facing U.S. carriers in Korea is a preferential berthing system under which U.S. carriers are often "sent to the back of the line," it was noted.

Also, in answer to a question, it was noted that the Koreans "danced around" a long-standing goal of getting into a bilateral cargo-sharing arrangement with the U.S. "This was danced around as we talked about other problems. But we made it clear wherever we went (except the Peoples Republic of China) there would be no bilateral cargo-sharing agreements," Burnley said.

The Mission's Objective. The DOT deputy secretary admitted that U.S. carriers cannot compete on a cost basis, but that they can compete in the area of moving cargo more quickly and more efficiently. "So, our talks were aimed at restrictions hampering our liner companies' operations in these areas," Burnley said. For example, at times U.S. ships "have to skip Japanese ports when they make their calls," he noted. And there are

agency problems in Korea that have to be addressed, Burnley said. In Taiwan, American carriers cannot own dockside facilities such as terminals and warehouses, which places an extra financial burden on them, he said. While the U.S. no longer has full diplomatic relations with Taiwan, American interests are conveyed through the American Institute of Taiwan, Burnley noted.

Burnley said he stressed the seriousness attached to these problems by the Reagan Administration, and that Transportation Secretary Elizabeth Dole sent him along with Gaughan to underscore this point. "These are terribly important issues for our maritime industry. The industry is in trouble and the trade is overtonnaged," he said. "We are going to send written summaries of our position out to the countries we visited."

Also, the Koreans most likely will be visiting the United States in January or February, he said.

Noting that United States Lines had finally made the long-awaited announcement that the company would be reorganizing under the bankruptcy laws, Burnley said that the USL case "is an example of what is happening" because of problems in the Far East. He added: "I don't think there is any question that U.S. Lines would be healthier if these problems were cleared up."

But, the DOT official reminded reporters that President Reagan "does not believe that the United States government should be in the business of guaranteeing the success of any United States company."

On the other hand, Burnley said "there are ways to open up opportunities and that's why we went" to the Far East.

Gaughan, in reply to a query, emphasized that the trip was not at the behest of any particular steamship line, since the same problems that exist in the Far East exist all over the globe. "We chose the Pacific because of the magnitude of that trade," Gaughan said.

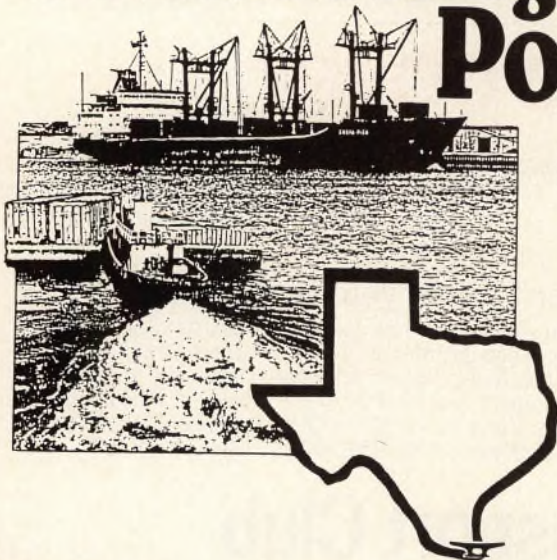
Also, while in the Far East, U.S. officials met with U.S. flag line representatives in Hong Kong to discuss problems they are having on the Asian subcontinent (Southeast Asia).

Before Burnley and Gaughan departed, the U.S. flag carriers were contacted in order to get their views.

Thus, the U.S. flag interests had input into the thrust of the trip, Gaughan said. Also, "we met with carrier representatives along the way" in the Far East, the MarAD chief said.

Summing up Burnley's performance, Gaughan said: "The message was delivered by Burnley in absolutely uncensored terms. The message was loud and clear." ■

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Pacific Railheads



Los Angeles/Long Beach joint ICTF facility (pictured on cover) is in service, setting stage for stiff competition between three West Coast port areas. By Richard Knee

Right from the start, crow's Arthur H. Goodwin, the new intermodal container transfer facility serving the ports of Los Angeles and Long Beach has done precisely what its developers promised: reduce transit time and increase productivity in drayage from dock to railhead.

Goodwin is project director for the ICTF Joint Powers Authority that the two port authorities established to build and administer the facility along with Southern Pacific Transportation Company. His final major assignment in connection with the ICTF, before he moves on to other duties with the Port of Los Angeles, is to help organize the big celebration that the project participants are planning at the facility January 15. He estimates the number of invitees will exceed 1,000.



Goodwin

Especially important from the ports' and SP's standpoint is that it puts them squarely in competition with Puget Sound for intermodal shipments. Historically, most of the containers coming into southern California have carried cargo destined for the immediate area, which has a con-

sumer population of about 14 million. And most of the containers coming in via Puget Sound have carried cargo destined for points east.

Up in northern California, meanwhile, Port of San Francisco and SP officials have already celebrated the opening of their ICTF. Some 200 guests attended their on-site party November 19, two days after operations got under way both there and at the Los Angeles/Long Beach facility.

Differences. There are some significant differences between the two facilities; perhaps most important, at least in the short term, is that San Francisco's ICTF cannot receive or send out double-stack trains, whereas southern California's is doing so.

The San Francisco ICTF itself is equipped to handle double-stacks but two SP-owned tunnels leading to and from the port vicinity have insufficient clearance for stacked containers, and the port administration is at odds with SP over how to solve the problem—and over who will pay for any necessary adjustments.

Depending on the solution they pick, the cost is estimated at between \$2 million and \$6 million.

While the Los Angeles/Long Beach ICTF, four miles from either port, hosts a plethora of regularly scheduled double-stack and conventional container-on-flatcar services, the San Francisco facility, adjacent to Container Terminal North (Pier 80), hosts none. SP is running trains in and out of the San Francisco ICTF on a spot-demand basis.

Just a few hours before their grand opening celebration, San Francisco port officials learned that Evergreen Line was to send a unit train east five days later. It was a one-shot run but executive director Eugene Gartland and other port officials acted as if it was a banner headline event.

Evergreen officials there told *American Shipper* they had no idea when another unit train might go out.

Across the bay at Oakland, plans for an ICTF adjacent to the Outer Harbor terminals were on hold as this edition went to press. The problem there is that the occupant of the designated site, Stevedoring Services of America, needs all the space. Port officials were scrutinizing their property to see if an equally large alternative site could be found for SSA, and they were conducting what they termed "delicate negotiations" with SSA and other terminal operators on



"We are the first in the industry to be purchasing computer terminals to be installed in tractors and cranes."

— Ron B. Fritch

whether any of them would be willing to shift sites to accommodate the ICTF.

Meanwhile, however, Oakland's current rail yards, which are one and one-half miles at most from any dock, are hosting myriad regularly scheduled double-stack and COFC services.

State-of-the-Art. The Los Angeles/Long Beach ICTF is a state-of-the-art facility that relies heavily on computerization for moving and tracking cargo within the site.

The facility is tied into the two mainframe computers at SP's San Francisco headquarters and has its own backup computer for emergencies, according to Ron B. Fritch, ICTF terminal superintendent for the railroad.

The backup system, he said, accomplishes three things:

- Computerized documentation of gate entries and exits by truckers.
- Support of inventory of equipment such as containers and chassis.
- Support of container load-out operations by providing relevant instructions to draymen and hostlers.

The ICTF also has a diesel-powered generator for use in power blackouts, Fritch said.

In addition, he said, "we are the first in the industry to be purchasing computer terminals to be installed in tractors and cranes." This, he said, will enable control tower personnel to instruct crane opera-

tors and hostlers on container placement, and it will enable the crane operators and hostlers to report completed assignments immediately.

The end result, he said, will be real-time data availability on which container-parking slots and which railcars are vacant or occupied. Now, he said, hostlers have to put such information on paper and this creates a lag time of at least an hour between when the container is moved and when the notification is put into the computer.

Another important, albeit less glamorous, feature at the ICTF is a system of one-inch-wide, 18-inch-deep drains running alongside all the tracks. The drains prevent puddling during wet weather, Fritch said, and contain pneumatic plugs that can, in the case of toxic spills, prevent the hazardous material from spreading.

This is extremely important, added Ronald J. Paul, ICTF market development manager for SP, because "we have a lot of chemicals from the Gulf being bridged up here for export."

The ICTF also has an extensive security system employing 13 video cameras, six of them with zoom and tilt capabilities, filming everyone going out the gate. The system also includes a network of phones placed so that truck drivers can talk from their cabs to control tower or security personnel.

For optimum efficiency, the tracks are laid out in a way that enables drivers and hostlers to bring containers to trackside. Ergo, the containers can remain on chassis for as long as they are in the ICTF.

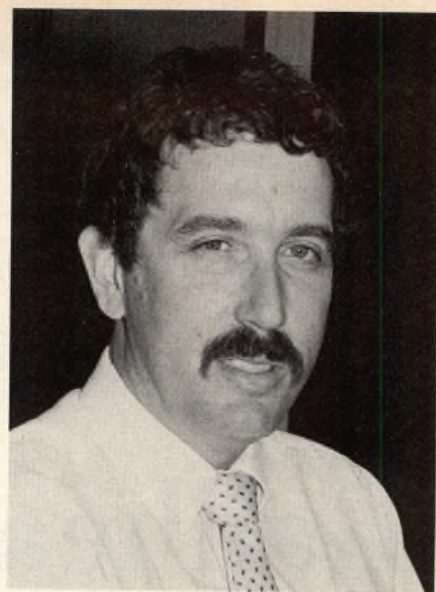
Bottom-Line Performance. The result of these efficiency features, coupled with the ICTF's proximity to the docks, is reduced time and expense, and increased productivity in drayage.

On the average, Paul said, it takes about 45 minutes from the time a truck leaves the dock to the time it exits the ICTF. A driver can make up to eight trips per shift to the ICTF—double the number he can make to the older rail yards, which are 20 or more miles up the freeway, he pointed out.

"Our first day out," remarked Goodwin, "the drayage (rate) to the ICTF dropped \$20. And it will drop further as the competition gets stiffer."

At the time *American Shipper* visited the ICTF, in early December, the rate was \$47 to \$50 to the facility, versus \$70 to \$75 dollars to the more distant rail yards, according to Paul. He predicted that the productivity factor would prompt shippers and receivers, and the steamship lines to press for further reductions in the rates on drayage to the ICTF.

As the dray rates stood when this story



"We have a lot of chemicals from the Gulf being bridged up here for export."

— Ronald J. Paul

went to press, the total expense was greater for use of the ICTF than for use of the other rail yards, because draymen pass on to their customers the cost of a \$30 gate fee at the new facility.

360,000 Boxes a Year? The ICTF is expected to put through between 250,000 and 280,000 containers this year, according to Paul.

"What chokes you," explained Fritch, "is the amount of switching you have to do and the train blocking structures. The more individual blocks you have to make, that's what causes you some impedance."

"We're still going through a learning curve on how best to operate, but I think 360,000 units a year is very do-able," he asserted.

Three-Year Project. From design to completion, the ICTF project took just under three years, although port officials perceived the need for the facility as far back as the early 1970s, Goodwin recounted.

"The ports realized the need to shorten or eliminate drayage ... but the volumes weren't there," he said.

The project lay dormant until 1979, when the two ports approached the railroads for their participation in the venture.

"SP stood up and said, 'Yes, it's long overdue and we would like to work with



the ports on this.' The other two railroads (Atchison, Topeka & Santa Fe and Union Pacific) didn't show a great deal of interest, particularly if they had to participate financially," he said.

Even after that, however, the endeavor to get the project under way was a lengthy one. Negotiations between the port and SP took more than two years and culminated in 98 agreements recorded on "minimum 1,500 pages" contained in two six-inch-thick loose-leaf volumes, Goodwin said.

Moreover, the ports and SP had to convince the Environmental Protection Agency that the project was ecologically sound, he recalled.

SP contributed \$22 million to the project, specifically for rail access into the yard. The JPA spent \$42 million for site improvements, the money coming from \$54 million that the agency raised through a December 1984 bond issuance. And the ports split evenly a \$5 million outlay for design and engineering work.

That the project was finished just three months behind schedule is "not bad," given the amount of work necessary and the number of contracts that had to be negotiated, he added.

"There were four significant contracts awarded by the JPA and five awarded by SP," he said.

Who Owns What? The ICTF sits on a 7,000- by 900-foot strip of land that the Port of Los Angeles has leased to the JPA, which in turn has subleased it to SP.

The railroad owns everything on top of the land and administers the facility. Operating the ICTF is In-Terminal Services, a subsidiary of Mi-Jack Products, of Hazel Crest, Ill. Mi-Jack built the cranes for the ICTF, has leased them back from SP and maintains them, Fritch said.

Abutting the ICTF's eastern boundary is a long, narrow strip of land owned by Southern California Edison. Annexation of the strip to the ICTF would add 50 acres, freeing up for trackage what are now three container-parking rows on the current site, Paul said. The utility company is amenable to the plan, he said.

"The ports have an understanding with SCE" on the matter, he said.

Update: ICTFs and Stack Services

Los Angeles/Long Beach

- **New ICTF** is four miles from either port. Stack services (all via SP): MOL weekly to St. Louis, then separate continuing services via ICG to Chicago and via Conrail to Columbus, Ohio and New York; NYK weekly to St. Louis, then separate continuing services via ICG to Chicago and via Chessie to Cincinnati; Evergreen weekly to Kansas City, then via BN to Chicago; OOCL/ESI weekly to Kansas City, then via Soo to Chicago and via Conrail to the East; OOCL/ESI weekly to El Paso, then separate continuing services via SP to Kansas City and Houston; APL twice weekly to Houston and New Orleans, then via NS to Atlanta; Sea-Land/K Line weekly to Houston and New Orleans.

- **Santa Fe yard**, City of Commerce. Stack services: daily non-unit trains to Chicago and to Kansas City.

- **UP yard**, City of Commerce. Stack services: APL twice weekly to Chicago and weekly to Fremont, Neb., then via CNW to Chicago and via Conrail to New York.

- **K Line yard**, on dock at LB. Stack service via UP to Chicago, then train is split with some containers going via Conrail to New York and others going elsewhere via COFC services.

San Francisco

- **ICTF** adjacent to dock at Container Terminal North (Pier 80). Stack services: none.

Oakland

- **UP and SP yards** abut each other, maximum one and one-half miles from any dock. Stack services: USL weekly and APL thrice weekly, both via UP to any dock. Stack services: USL weekly and APL thrice weekly, both via UP to Chicago.

Portland

- **On-dock ICTF** at Terminal 6 with stack-train capability. Served primarily by BN; other railroads have trackage rights. Stack services: none.

Tacoma

- **North yard** (on-dock) used primarily by Maersk and Star, south yard across the street from Sea-Land terminal and used mainly by Sea-Land. Both yards operated by port. Stack services: Maersk weekly via UP to Chicago, then via Conrail to New York; Sea-Land thrice weekly via BN to Chicago, then via Conrail to New York.

Seattle

- **BN yard** two blocks from docks, UP yard two miles downroad. Stack services: BN six times weekly to Chicago; APL twice weekly via UP to Chicago. K Line negotiating with both railroads for service targeted for startup early this year.

Abutting the ICTF's western boundary is another thin strip containing what Paul described as "some light development," namely warehousing. A determination on that strip's annexation to the ICTF "could go either way" at this point, he remarked.

Intermodal Competition. The ICTF is in line with the ports' so-called 2020 plan, which envisions increased involvement in intermodal transportation, Goodwin said.

This puts southern California in direct competition with Puget Sound, where most of the inbound containers are destined for points east.

Goodwin downplayed the advantages that Seattle and Tacoma port officials claim their facilities have.

Seattle, for instance, has two intermo-

dal yards, one being two blocks from the docks and the other about two miles down the road. But, commented Goodwin, the difference in transit time between those distances and the four miles from the docks to southern California's ICTF is negligible. And, he added, "once you put a container on a chassis and on the road, you have a drayage charge." He conceded there is "no argument" to Tacoma's advantage of an on-dock ICTF.

Goodwin also moved to debunk the two days' transit-time advantage that Northwest port officials say they have over California. That advantage exists only when ships use the Great Circle route, which is impassable in winter, he said. In fact, he asserted, the transit difference between California and the Northwest is only about 24 hours. ■

Life is Good at the Port of Montreal

It's just days after the winter's first snowfall here, a month from Christmas, and life is good. The Montreal Canadiens, 1986 Stanley Cup champions, are winning hockey games, Molson's brewery is thriving and, if you gaze from atop Mount Royal in the center of town, you'll see a city coursing with activity—people dashing in and out of cafes, restaurants and shops, streams of traffic, and teams of snow removal trucks systematically clearing the streets.

And in the distance, you'll see prosperity's gates themselves—the container cranes. In 1985 the cranes handled 4.4 million metric tons of containerized cargo, a seven percent increase over the previous year and almost *four times* what the port handled in 1978. When the numbers are added up for 1986, port officials expect another strong increase of about 4.7 percent, or 200,000 more metric tons of containerized cargo for the port, now North America's seventh busiest.

Perhaps more remarkable, the port's dramatic success has been firmly rooted. That is, it is a growth built on long-term cargo commitment, bringing into the fold over the years many large-volume shippers in the Midwest and Northeast who now consider Montreal their port for the long haul.

"And we expect the growth to continue, to be anywhere from four to six percent annually in the years to come—all things being equal," said Dominic Taddeo, CEO of the Port of Montreal.

The Canadian Mystique. If these were fat times for the shipping industry, Montreal's well-being and continued growth as a port might pass unnoticed. As it is, the Port of Boston finds itself a little more "out of the way" for carriers each year; the Port of New York/New Jersey reported loss of volume in certain commodities, particularly liquor (see *American Shipper*, November 1986, pp. 54-56); and United States Lines, a giant in U.S. shipping for most of this century, recently filed for Chapter 11 protection.

"About 35 percent of the cargo from the Midwest and New England that tra-

Container cargo has been growing at an average rate of 10.3 percent over the last eight years and continues on the rise as Cast, Canada Maritime and others woo Midwest shippers. Cheaper labor and intermodalism play a key role.

By Ben Carey



ditionally came through U.S. ports (in the North Atlantic) now goes through Canada. About 75 percent of that 35 percent is from the Midwest," said Manuel (Mike) Diaz, chairman of both the eastbound and westbound conferences and one of the most outspoken on the Canadian "diversion" issue.

Because a thorough study has yet to be done, the precise percentage of U.S. cargo being drawn to Canadian ports is unclear. It is a very tricky question, and one that will remain open until Customs statistics from both countries are studied closely. In the meantime, U.S. port officials in the Northeast who have seen business taper off in recent years can only guess and wonder at what Canada's impact really is. Add to this murky formula the mystery surrounding Canadian carriers' tariffs—which aren't public information—and you have ample nourishment for a very accusatory situation.

"We are playing according to the same rules of the game and what I say is let the market forces come to play," said Taddeo in response to these charges. "We have cargo leaving Canada, leaving Montreal and going to South America (through U.S. ports), what do we say to that? If we're going to have free trade, let's have free trade. The day these people become uncompetitive—game over.

"We (the United States and Canada) are partners, we continue to respect each other, and we trade with each other. And if you go to the West Coast of the U.S., you'll see that the Port of Vancouver is losing maybe 120,000 (a year) to Seattle and Tacoma," he said.

Though in recent years the amount of U.S. container cargo moving through Canadian ports in the east has risen sharply, Canadians are quick to point out as Taddeo did that the reverse situation exists in the west, where more and more Canadian boxes are moving through U.S. ports. Country to country in 1985, Canada took 148,036 TEUs of U.S. cargo while the United States took 127,882 from the northerners; which, when you consider that Canada has less than one-eighth the population of the United

States and ships less than a tenth the number of boxes, means that, proportionately, the Canadians are losing at a rate of between 8:1 and 10:1 any way you slice it.

Through Montreal, Taddeo said U.S. cargo accounts for about 45 percent of the business. Diaz puts the number closer to 65 percent.

It's Cheaper. Whatever the larger issues (or non-issues, as the case may be), Montreal's success boils down to one thing: money. True, some of the Canadian carriers offer good service and efficiency and such things, but when push comes to shove the fact is it's cheaper to move a box from Chicago or Minneapolis or Detroit or Kenosha, Wis., to Madrid via Montreal than it is to go through New York. Generally speaking.

"They (the Canadian carriers) are undercutting our prices. Cast, for instance, is moving bulk cargo—moving steel in and grain out—and topping off their vessels with containers. The containers are incremental revenue," said Diaz, echoing a sentiment shared by more than a few carriers in the eastbound trade, namely, that some Canadian carriers are taking a loss on container cargo moving out of the Midwest and making up for it either with bulk cargo from the Cana-

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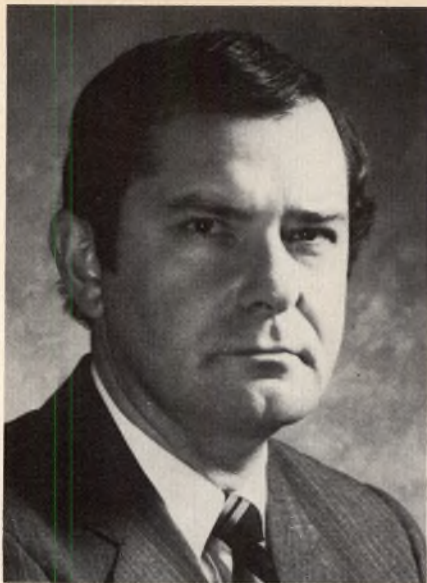
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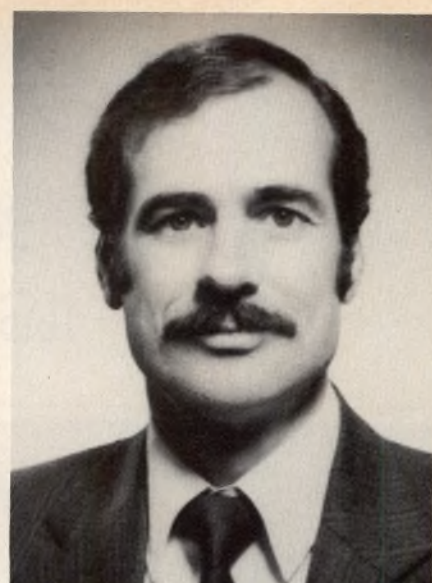
"In a con-bulker, the bulk cargo is the bottom cargo, the basic contractual cargo, no different than the way a carrier would use Ro/Ro."

— Peter Keller, President
CAST North America



"And we expect the growth to continue, to be anywhere from four to six percent annually in the years to come—all things being equal."

— Dominic Taddeo, CEO
Port of Montreal



"We have agreements as you do with any shipper, but we don't believe in penalties."

— Richard Kusel, CEO
Canada Maritime

dian hinterland or through other operations.

This type of argument, responds Peter Keller, president of Cast North America in Montreal, "is analogous to one that would charge ACL with the same practice because they have the ability to handle Ro/Ro cargoes on their vessels. Or, the old double subsidy case with American-flag carriers that because they have exclusive right to carry U.S. military cargoes, they therefore have a leg up on everybody else.

"In a con-bulker the bulk cargo is the bottom cargo, the basic contractual cargo, no different than the way a carrier would use Ro/Ro," he said.

As for the rates Cast is quoting out of the Midwest, Keller said only, "We're in pretty good shape given the current marketplace. And in order to be in that position, to sustain yourself, one has to have a cost-efficient operation on the one hand and a compensatory rate structure on the other."

Richard Kusel, chief executive officer of Canada Maritime, a worldwide carrier operating out of Montreal that also competes for containers in the Midwest, was equally vague about rate structure, saying only that his prices were competitive but compensatory.

Both Kusel and Keller, who said more than half of his business is U.S. cargo, have "quasi" service contracts with large shippers in the East and Midwest.

"We have agreements as you do with

any shipper, but we don't believe in penalties," said Kusel.

Cost Differences. Though as private companies Cast and Canada Maritime don't publish their results, it is clear both are competitive and both are financially sound, if not robust, and part of the credit for this is due to the Port of Montreal itself.

For one thing, labor is less costly than in East Coast U.S. ports. In Montreal, dockworkers make CAN\$17 an hour base pay, which in terms of its buying power in Canada is roughly the same as the US\$17 an hour base salary U.S. dockworkers make. But with benefits, pensions, add-ons, etc., the total cost for one man-hour in Montreal is about CAN\$26, said Jaques Belanger of the Maritime Employers Association in Montreal. An average man-hour at the Port of New York/New Jersey costs US\$34.35.

More, a container gang in Montreal ranges between seven and nine men while in New York the base container gang consists of 18 men. The overall savings afforded Cast, Canada Maritime and other regular users of the port are substantial—especially if the customer, the shipper, is paying in American dollars (US\$1 equals CAN\$1.3, approximate).

Intermodalism. Another advantage of the port is its convenience, both in terms of access and geography. Montreal lies

just 30 miles from the U.S. border, just eight hours' drive from downtown Manhattan, and about a day and a half from Chicago by train. Both of Canada's national railroads, Canadian Pacific and Canadian National, have business arrangements with Cast, Canada Maritime and the port and have ample track on the pier to handle cargo.

"It's one day's haul from New York City, 36 hours from Chicago and we've got a mile of rail siding right on the terminal. We can make up our own unit trains, and we do, and there's easy access by both rail and truck," said Keller. Cast, with headquarters in Bermuda and offices in Montreal, Antwerp, Toronto and seven others in the midwest and eastern U.S.A., operates a fleet of trucks and five 70,000-ton Panamax con-bulk ships between Montreal and Antwerp only.

The service is door-to-door, as is much of Canada Maritime's, and thus is completely dependent on intermodalism.

"We don't believe in the concept of round-the-world service at all," said Kusel, Keller's counterpart at Canada Maritime.

"We could not survive in this business without using the shortest possible way, intermodally," he stated.

Canada Maritime, with headquarters in Montreal and numerous offices in Canada, the United States and Europe, operates a Con-Ro service between Montreal and Felixstowe, Le Havre, Antwerp and Hamburg. ■

Soviet Carrier Making Its Mark

Baltic Shipping Company takes a bite out of Montreal hinterland; U.S. and Canadian carriers voice concern, charge unfair competition, paltry labor costs; Soviet spokesmen say the company is in the same boat as everyone else.

By Ben Carey

Amid the general high spirits, good health and clean Canadian competition at the Port of Montreal, there is a shrewd, contentious and very low-profile carrier in the business that is sending ripples of concern throughout the ocean freight community.

"We don't mind competing with anyone, but we have some problems with competition that is not in the free enterprise system," said Peter Keller, chief executive officer for Cast North America, in Montreal.

"It's different economics," said Richard Kusel, president of Canada Maritime.

Morflot. Morflot (merchant fleet) Freight Lines, Ltd., or Morlines, North American agents for the Baltic Shipping Company, whose owners reside in Leningrad, is nothing particularly new.

The company has been running a container service out of Montreal for about two years and Soviet bulkers and tankers have been calling on the port for upwards of 20 years.

What is new is that Baltic's liner service, which connects Montreal to various ports in Europe, has begun to claim some solid turf in Yankeeland down south and compete for a share of Canada Maritime and Cast's gravy.

This has made the Soviet company the butt of criticism and complaint from both Canadian and United States carriers, who charge that Baltic is unfairly subsidized and in business only to tender hard, or stable, currency.

"Baltic Shipping is making a travesty of the Control Carrier Act," said Manuel (Mike) Diaz, chairman of both the east-bound and westbound conferences. "Their boxes are all over the Midwest."

The Service. Clearly, the issue of Soviet commerce with North America is fraught with politics, and Baltic understandably holds its cards tightly to the chest. It doesn't even publish a brochure or general information packet for customers.

Only skeletal facts are available: The company runs a weekly service with four container ships from Montreal to the ports of Felixstowe, Bremen, Rotterdam and Hamburg; and operates feeder services to Scandinavia, the Middle East, Far East and Eastern Europe.

Sources inside Morflot Freight Lines, insisting on anonymity, said that the Soviet steamship line is a "growing, profit-making concern" in the "same situation as everyone else" with respect to the fierce competition to move boxes in and out of the Midwestern United States.

About 30 percent of Baltic's business through Montreal is either bound for or originates from the United States, sources confirmed.

Crew Costs. Among the specific charges of unfair competition is a charge that the Soviets pay their steamship crews with "black bread and few rubles."

Lloyd's of London Press seemed to

confirm this in a recently released study, estimating that Soviet ship labor costs an average of \$140,000 annually, or \$308 a day, for a 350 TEU vessel.

For an equivalent sized vessel with British officers and Chinese crew the figure is about \$800,000 a year, and a U.S. flagship might pay half again as much.

Morflot spokesmen, though not prepared to release any figures, said they simply didn't know where Lloyd's got its estimates.

Direct Ocean Trade. The Soviet Union ceased trading directly with the United States in 1979, when the last United States-U.S.S.R. Maritime Agreement expired. Not until a new agreement is negotiated can direct ocean trade resume.

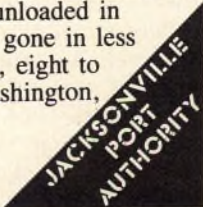
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Gearbulk's hybrid 'Cormorant Arrow' is one of 43 sister vessels designed as open-hatch container/forest product carriers.

The Con-Bulkers

Gearbulk, Star Shipping and Westwood fleets consider forest product contracts their primary business, but their ability to carry containers can determine the level of pricing in the Pacific Northwest. If it chose to be a pure-container line, Gearbulk would be the fourth largest in the world.

By Bruce Johnson

In the beginning, there was Star. Then there was Westwood. And later came Gearbulk.

Today, the container services of these three companies account for a sizable chunk of containerized cargo capacity between Asia and the U.S./Canada West Coast and between the U.S./Canada West Coast and North Europe.

With layup of U.S. Lines' 12 round-the-world superships, Gearbulk alone now has the fourth-largest container capacity in the world—despite the fact that it was the latest of the three to formally enter the container carrying foray, only 18 months ago.

What began nearly 15 years ago as a means of repositioning bulk carriers primarily carrying forest products now has blossomed into a huge container/-bulk (conbulk) system of vessel management.

Actually, the roots of today's container carrying by Star Shipping Co., Westwood Shipping Lines and Gearbulk Container Services can be traced back

almost a quarter of a century when the world's first open-hatch, gantry-crane type of bulk carrier went into operation.

Origins of System. Bergen-based Star capitalized on an innovation in shipping involving Crown Zellerbach. In late 1962, the Christian Ostberg shipping company of Norway took delivery of the *Besseggen*, chartered by Crown Z for the transportation of newsprint from British Columbia to California. The *Besseggen* and its sister ship, the *Rondeggen*, delivered a half-year later, were the first vessels to have hatch openings that were essentially as large as the holds themselves.

Along with the use of on-board gantry cranes and the use of vacuum clamps that could lift eight rolls of newsprint at a time, the open-hatch configuration significantly speeded up loading and unloading of cargo. Other features included a rain protection system facilitated by the gantry design of the cranes.

The late Per F. Waaler, who founded

Star in 1961 with a bulk carrier whose owner had defaulted on a loan, recognized the potential application of this new type of ship for forest product shipping on a larger scale and over long distances.

Waaler, who was killed in an airplane crash in 1972, implemented his dream in 1966 when he negotiated his firm's first contracts of affreightment for transporting unitized wood pulp from British Columbia and the U.S. Northwest to Europe.

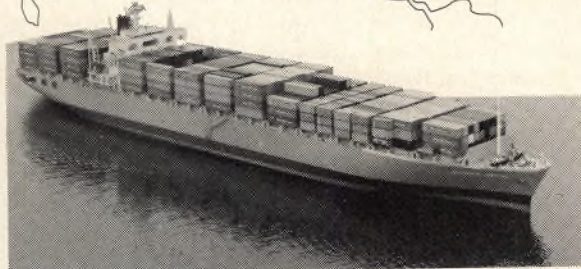
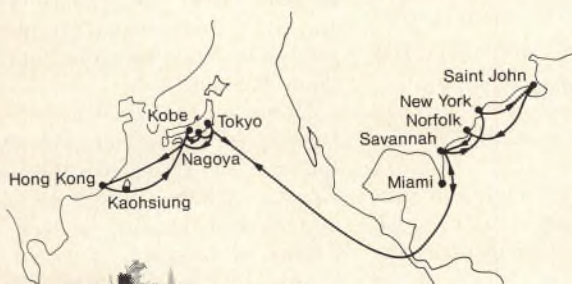
Four Star bulk carriers, already equipped with gantry cranes, were converted to open-hatch vessels and assigned to this run with automated bale clamps capable of lifting unitized pulp bales as large as shipping containers. The initial contracts were soon followed with agreements with many other major shippers of forest products—paper, lumber and plywood as well as pulp.

Star's open-hatch vessel program was so successful that six more open-hatch vessels were ordered new from the keel



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MOL inaugurates Express container service between East Asia and the North American East Coast



Starting in October, Mitsui O.S.K. Lines (MOL) opens a new chapter in its shipping chronicles with the start of regular container service between East Asia and the East Coast of North America.

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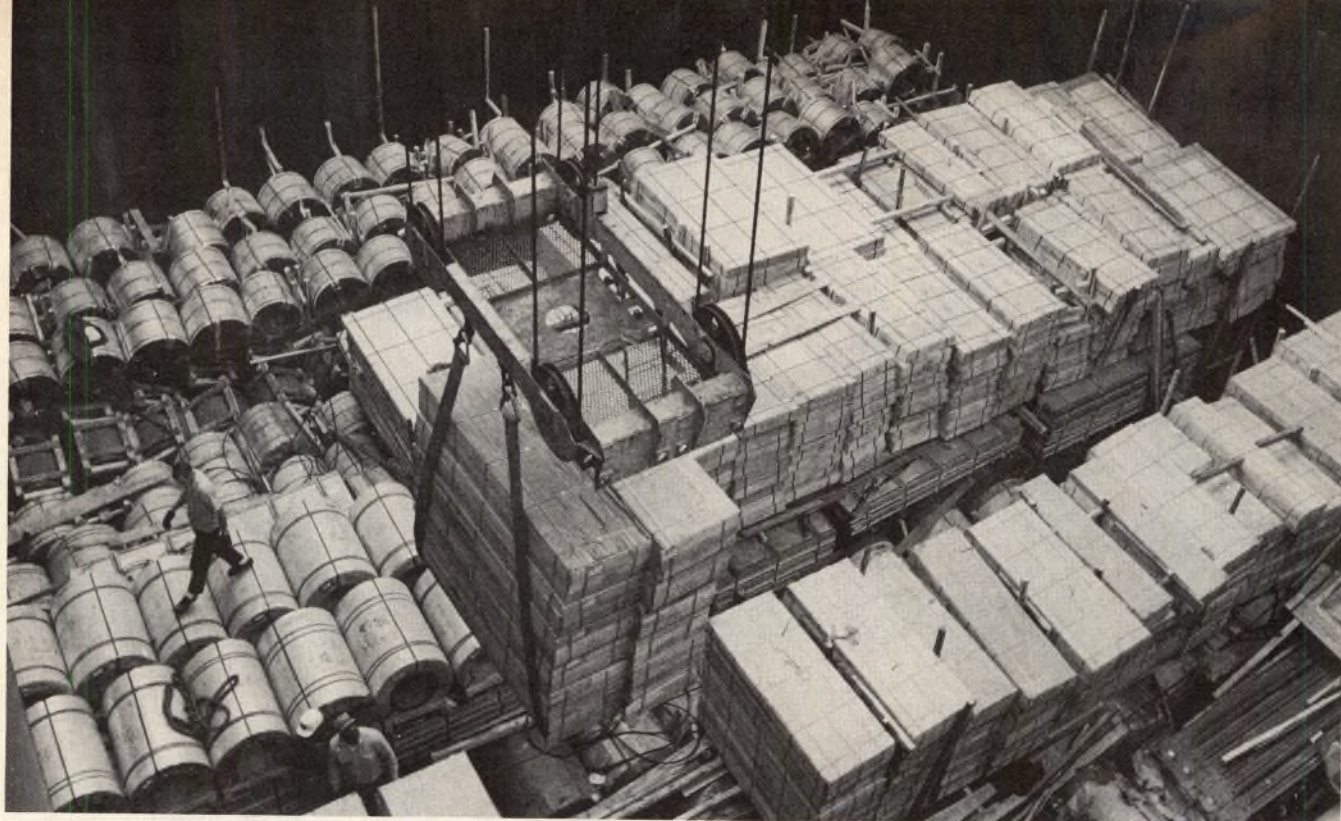
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Open-hatch holds of conbulk vessels can carry an assortment of quickly loaded and unloaded unitized freight.

up. This order for Star's first purpose-built such ships soon was followed by orders for eight more, slightly larger open-hatch vessels.

"Crown Zellerbach was really the first that put this into operation but we took this and put it onto larger ships," Howard Harrington, Star's U.S. West Coast general manager in San Francisco, said concerning how Waaler capitalized on the Crown Z concept.

Although Star's open-hatch shipping program developed rapidly following initial shipper acceptance of this concept, that initial acceptance did not come easy.

"It was extremely difficult in the early days to sell this concept," Harrington acknowledged. Shippers were reluctant to pay the extra cost of strapping together eight bales of pulp for unitized lifting by the on-board gantry cranes.

Rates Were Cut in Half. But from an economics point of view, non-conference Star offered freight rates that were nearly 50 percent less than were being offered then by conference operators of breakbulk vessels. Another advantage the new conbulker concept had over conventional freighters was that no cargo-damaging forklift equipment was needed in the holds to stow cargo.

Containers Provided Backhaul. With Star's open-hatch forest product shipping flourishing, though, there was a growing need for backhaul revenue.

One of Star's first container accounts was Matsushita Electric Co., which at the time was establishing Tacoma as a major national distribution center for Panasonic-brand products.

Containerized cargo was the obvious choice.

In 1972, Star launched a monthly container service from Japan to Tacoma. One of Star's first container accounts was Matsushita Electric Co., which at the time was establishing Tacoma as a major national distribution center for Panasonic-brand products (Tacoma now handles 90 percent of Panasonic goods sold in the United States).

Because of Panasonic's growth and the addition of other major container accounts, Star today offers a sailing frequency averaging 10 days from Japan to Tacoma. Ships involved in the container trade head for Vancouver, B.C., and Canadian and American outports to take on forest products for the Far East.

Star Services. Seven years ago, Star got into the European container trade as well. From Oakland and Los Angeles, Star offers a container sailing frequency averaging every 20 days. Open-hatch vessel service is offered monthly from the West Coast to Mediterranean.

Outbound from North America, Star's

ships are running full, Harrington reported. But inbound, the ships are sailing below capacity because of the impact the highly valued yen is having on the flow of containerized freight to the U.S., he said. Japan, the primary destination for Star-carried forest products, is the only Asian country served in the firm's conbulk service.

However, Star does have a separate forest products service—mostly involving open-hatch vessels—from the West Coast to China, Taiwan and Japanese and Korean outports as well as other Asian destinations.

Most of the firm's below-deck liner cargoes to Europe are forest products loaded in Canada, the U.S. Northwest and Eureka, Calif. Containers are carried in one or two holds as well as on deck.

In this trade as well as to Asia, Star's ships are sailing essentially full. And Harrington said the vessels "are running close to full" from Europe. Inbound, the European trade consists primarily of containers and some newsprint from Scandinavia. Most of the cargo, including all of the newsprint, is discharged in California.

Because open-hatch ships are designed for carrying bulk cargoes, their service speed is about 15 knots—up to nine knots slower than some of the full-container vessels crossing the Pacific. Consequently, it takes five ships for Star to sustain its transpacific container service. Three of the vessels are dedicated to the



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container run and the other two are fed in from other Star operations.

Star's fleet of about 50 ships includes 21 vessels of the open-hatch type. Three of the 21 were new last year and a fourth entered service this year.

"We're in the seventh generation" of open-hatch ships, Harrington remarked. Star's newest ships have 10 holds. The holds, slightly more than 40 feet in length, are designed for accommodating containers efficiently as well as a greater variety of bulk cargoes.

Having more holds, he noted, enables Star to be more flexible in cargo carried and ports called.

Although slower speed is an inherent disadvantage of carrying containers in a vessel designed to carry bulk commodities, the high degree of flexibility represented by today's open-hatch, gantry-crane ships provides for greater utilization of vessel capacity, compared with single-purpose vessels.

And being self-sufficient and versatile, the container carrying ships can be easily diverted into bulk trades if necessary, Harrington said. He observed that "80 percent of the cargoes in the world are bulk."

Weyerhaeuser and Hoegh. Star's success with the open-hatch type of vessel was well recognized by the time Weyerhaeuser Co., a major exporter of forest products from British Columbia as well as the U.S. Northwest, decided to lease some newbuildings on a long-term basis.

Nearly 10 years ago, Weyerhaeuser placed into service the first of six so-called "M" ships that the company leased from Leif Hoegh & Co. of Oslo. These open-hatch, gantry-crane vessels, state of the art at that time in terms of multi-purpose forest product and container carrying capability, entered service between the U.S./Canada West Coast and Europe. Hoegh Container Lines managed the container portion of that trade. Two other such ships, also leased from Hoegh, later were added for a Weyerhaeuser/Hoegh forest product/container service between the West Coast and Asia.

Westwood Born in 1981. Desiring to take charge of all vessel management itself and establish a common carrier operation, Weyerhaeuser founded Westwood Shipping Lines in early 1981. Hoegh Container Lines was replaced by Westwood in terms of container shipping and Westwood took up management of forest product shipping for other producers besides Weyerhaeuser.

Today, Westwood is more committed to common carrier service than ever. It offers a 10-day sailing frequency from Korea and Japan to Seattle. And the firm,



On-board Westwood gantry lifts machinery.

headquartered near Tacoma, has a 14-day, fixed-day-of-the-week schedule from the West Coast to North Europe.

Besides its own eight ships under lease, four of which now are transpacific and four of which are on the European run, Westwood has an eastbound sailing agreement with Canadian Transport, a subsidiary of MacMillan Bloedel, to provide the 10-day frequency Westwood feels it needs to be competitive in the container trade. In addition, Westwood time charters a vessel from Van Ommeren of Rotterdam to provide the fortnightly, fixed-day sailing service in the European trade.

From time to time, other vessels are spot chartered to reposition containers—with as much revenue cargo as possible—from the West Coast to Asia, where container imbalances plague all multi-purpose operators carrying containers eastbound and primarily forest products westbound.

Westwood's New Ship. The most recent development at Westwood is the phasing in of five new open-hatch ships. These vessels, the first two of which now are in service, have the latest in cargo protection equipment, including state-of-the-art rain protection and holds fitted with dehumidification devices and forced-air ventilation. They also are designed for carrying containers more efficiently, with the result that the new ships can carry 2,029 TEUs (20-foot-

equivalent units) compared with 1,760 TEUs for Westwood's other vessels—even though the newbuildings are essentially the same size as their predecessors. Additionally, the new ships are 40 percent more fuel efficient.

More significantly in terms of Westwood's bottom line, the five new ships are replacing five of the "M" ships, which became a severe financial burden for Westwood.

The charters with Hoegh were fixed when the shipping industry was strong and charter rates were at or near their peak. Now with the shipbuilding industry in recession, Westwood's new lessor—Saga Forest Carriers of Oslo—was in a position to quote extremely favorable rates for a five-year agreement with Westwood (plus annual renewal options at established rates for another five years).

The five Japanese-built ships, all of which will be in operation by the middle of next year, will be assigned to both of Westwood's runs. Three of them are designated for the transpacific and the other two for Europe.

Tom Luthy, Westwood's president, declined to disclose how much better off in terms of chartering expenses Westwood will be with the five new ships.

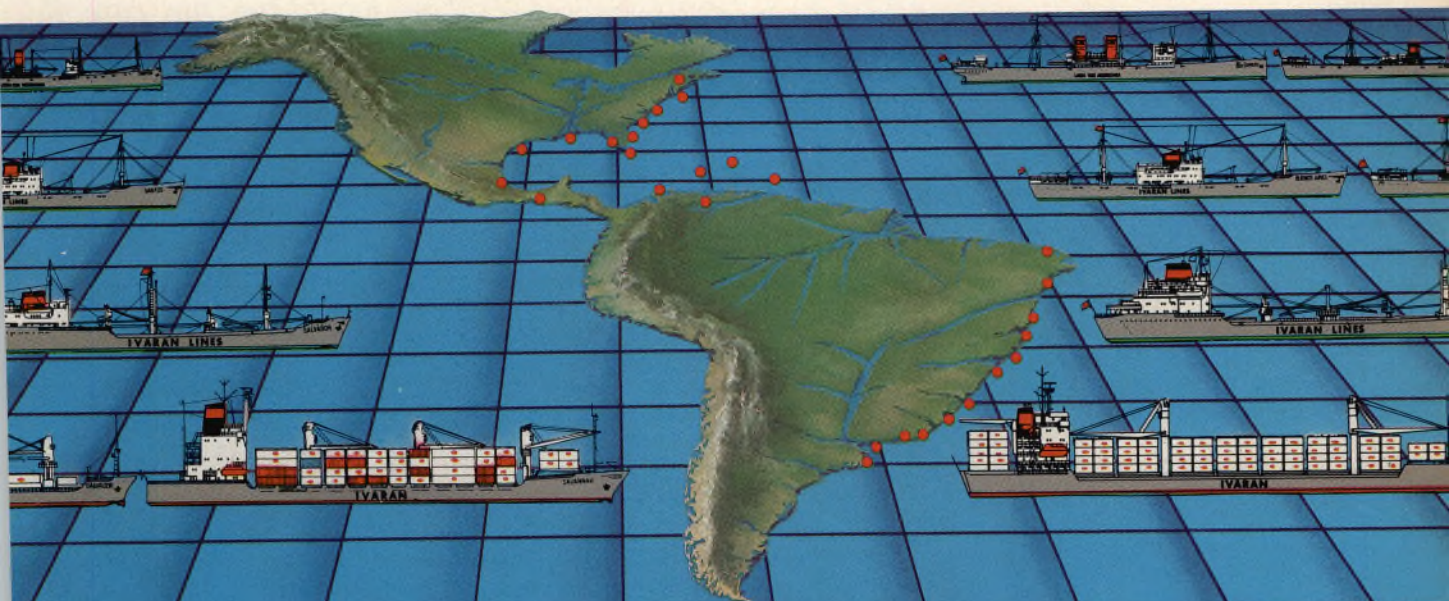
But he confirmed that "our charter party terms are substantially more favorable than existing contracts" on the "M" ships. He said "our charter parties are favorable in terms of capital cost and

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"These new vessels will be basically profitable from day one."

— **Tom Luthy, President**
Westwood Shipping

operating cost per slot.

"These new vessels will be basically profitable from day one. The newbuildings push us in the direction we want."

Profitable on Low Rates. By the time all five are in the fleet, Westwood will be in the black instead of being in the red as it presently is with current freight rates, he indicated.

Luthy reported that Westwood's ships are "basically full" in both directions in the European trade.

In the Pacific, results are a bit more complex. Inbound, the line has had a load factor of about 75 percent. Outbound, with forest products under deck and containers on deck, load factors have been strong but vessels with the latest in hold dehumidification and rain protection have been the 100 percent performers.

Actually, all of Westwood's ships have been sailing basically full to Asia. But Luthy noted that a shortfall of forest products on the older "M" ships is compensated by having greater container loadings involving cargoes with lower yields.

The addition of three of the five newbuildings in the transpacific market is expected to improve yield on the westbound sailings because of the state-of-the-art cargo protection involved.

That Westwood's transpacific ships

are not arriving full is a reflection of the slower transit time of a conbulk carrier compared with a full-container vessel and the 10-day frequency of service compared with the weekly full-container operators.

"But we consider ourselves to be best value—that our pricing recognizes that deficiency," Luthy said.

With service contracts and independent action prevailing among conference carriers these days, it is difficult to pinpoint how much below "conference rates" Westwood and other conbulk vessel operators actually are. But Luthy estimated that Westwood is, "on average," 90 to 95 percent of conference rates in the Pacific and that "we're really at the 95 to 100 percent level of the conference" in European shipping.

In the West Coast-North Europe trade, he noted, Westwood now is the largest-volume, all-water container carrier. Because of a long period of declining freight rates, the European trade has deteriorated from being "acceptably profitable" to "very marginal," Luthy reflected. But with load factors now improved, he said he hopes that the rate wars are "about behind us."

Weyerhaeuser's Cargo. Weyerhaeuser itself represents a little less than a third of Westwood's total dollar revenue, according to Luthy. Outbound across the Pacific, Weyerhaeuser accounts for more than 70 percent of the forest products carried on Westwood's ships. But to North Europe, the parent company provides about 25 percent of the forest product portion of the load.

Put another way, three-quarters of Westwood's forest product load to Europe is tendered by Weyerhaeuser's competitors. And a substantial although not majority amount of forest product space on Westwood ships to Asia is booked by Weyerhaeuser competitors.

In effect, Weyerhaeuser is helping its own competition get to market by being in the common carrier business with Westwood. But the economies of scale involved in booking space on ships managed by a subsidiary are favorable for Weyerhaeuser.

"In the final analysis, that competition is going to get to market anyway," Luthy observed.

In addition to forest products and containers, Westwood carries occasional project cargoes from both the Far East and North Europe and some yachts manufactured in Europe.

But being primarily limited to its own leased fleet, Westwood is not in a position to do much diverting of vessels in search of backhaul bulk cargoes—even though the ships themselves are versatile in their cargo carrying capability.



"We have an owned fleet, so our operating costs are lower" than would be the case if Gearbulk had to rely on chartered tonnage.

— **William M. Wilkinson,**
President, Gearbulk

"We're container driven," in terms of vessel frequency and maintaining schedules as published in advance, Luthy said. He noted that Westwood has a reputation for adhering to published schedules.

Gearbulk. Luthy's predecessor at Westwood—William M. Wilkinson—is the man running a prime competitor of both Westwood and Star, Gearbulk Container Services. Taking a cue from how Star was working some of its world fleet into the container trade, Bergen-based Gearbulk Ltd. formed its Seattle-headquartered container carrying subsidiary to inaugurate container services between Asia and the U.S./Canada West Coast and the U.S./Canada West Coast and Europe. Having recently had a major newbuilding program, Gearbulk has emerged as one of the world's biggest container carrying entities.

"We have 43 sister vessels and we have another 20 vessels," all of which have at least some container carrying capability, Wilkinson said. The open-hatch sister ships include 13 newbuildings, each capable of carrying 1,500 TEUs.

Owns Its Fleet. Gearbulk Container's major strengths are the great number of ships it can draw upon to maintain service integrity for its customers and the fact that the parent company owns most

of its tonnage.

"We have an owned fleet, so our operating costs are lower" than would be the case if Gearbulk had to rely on chartered tonnage, Wilkinson indicated.

Gearbulk's open-hatch vessels, the latest of which made its maiden voyage to Seattle in late October, provide service on a 10-day frequency from Korea and Japan to Seattle and Vancouver, B.C. The company has six ships rather consistently employed in this trade. Included in this service is a slot charter arrangement with Hong Kong Islands Line.

From Europe to the U.S./Canada West Coast, Gearbulk has a sailing twice per month. Service is to Long Beach, Oakland and Vancouver, B.C. Adding Seattle to the schedule inbound from Europe is being considered, Wilkinson said.

Transshipping at Virgin Islands. An interesting new development at Gearbulk Container is the firm's use of the Virgin Islands as a transshipment point. In order to enhance vessel utilization out of Europe, Gearbulk recently started selling space for containerized cargoes destined for islands of the eastern Caribbean.

At Saint Croix, Gearbulk has a connecting carrier arrangement with Tropical Shipping and Construction, which serves the eastern Caribbean out of West Palm Beach, Fla. A 30-ton-capacity Paccco container crane does the unloading and loading (the on-board gantry cranes usually are not used for handling containers because shore cranes are faster).

In addition to shipping containerized beverages and other goods from Europe to Saint Croix, Gearbulk loads primarily containerized rum for delivery to the Los Angeles area and for transshipment there to carriers serving the other side of the Pacific. "At minor deviation costs," Gearbulk Ltd.'s world fleet can stop by Saint Croix and pick up empty containers that accumulate in the Caribbean market. Wilkinson noted that the parent company has ships trading from Brazil and Chile that can reposition empties back to Europe.

"There is other growth potential for Saint Croix as a transshipment point that we are studying," he said. He refused to elaborate.

Adding Routes. "Gearbulk Ltd. trade routes are getting more involved in containers," Wilkinson said. "We have a number of underutilized decks. We're trying to get our bulk moves" into schedules offering greater frequencies of service, he indicated.

A recent example of how Gearbulk is getting more involved in occasional con-

Gearbulk Took a Look at U.S. Lines

Kristian Gerhard Jebsen, a Norwegian specialist in industrial shipping, founded Gearbulk, Ltd. of Bergen, Norway, in 1968 as a joint effort with his own shipping company and three other European firms.

They are S.A. Louis Dreyfus & Cie., of Paris, a leading international banking, grain and trading firm; Dreyfus' wholly-owned British shipping subsidiary, Buries Markes Ltd. of London; and A/S J. Ludwig Mowinckels Rederi, a 70-year-old Bergen shipping firm.

The Dreyfus/Gearbulk team was reported by *Journal of Commerce* to have considered purchase of United States Lines prior to the U.S. company's filing for protection under Chapter 11 but were unable to come to terms. Had the purchase been concluded, it would quickly have moved Gearbulk from fifth to first place among world container-ship carriers.

When transpacific conference lines adjusted their rates upward, "it gave us a little bit of breathing room," he said. "We immediately became profitable."

tainer movements is out of Southern California to Japan and Korea. Taking containers out of Long Beach are ships swinging by with pulp from Brazil to the Orient and vessels bringing cement from Japan to the Los Angeles area. In both cases, space is available for Gearbulk to reposition containers westbound. These repositionings primarily involve depressed-rate commodities such as waste paper and scrap metal.

"We're overbooked, actually—but it's a function of the rate," Wilkinson related. From the Northwest/western Canada to the Far East, Gearbulk provides a service—primarily for forest products—three times per month. But each month, one of the ships that arrives with containers from the Orient is spun off for a forest products move to China or Southeast Asia. It is replaced with some other parent company vessel.

"We have ships coming in from Brazil and Chile," Wilkinson said. "We can always pick up on one of those vessels to run the (container) voyage. We can cover the container frequency on another ship. We have a high degree of flexibility."

Will Buy When Price is Right. Having had a vessel capacity increase of 40-50 percent during the past couple of years, Gearbulk has no additional vessel construction plans at this point, the subsidiary president indicated. "But we continue to shop existing vessels," he said. "To the extent we can find them at attractive prices, we're in a buying mood."

Gearbulk Container, which Wilkinson said is "looking at more than \$100 million in freight handling revenue" in 1987, has financially benefitted from a recent firming of freight rates as well as the incremental nature of costing its container service on parent company ships.

"We're profitable at this point," Wilkinson declared. "We turned the corner in the last four months." When transpacific conference lines adjusted their rates upward, "it gave us a little bit of breathing room," he said. "We immediately became profitable."

Noting that conference carriers are "all over the map on their service contracts," Wilkinson said it is difficult to estimate how much lower Gearbulk, as a non-conference operator, prices itself in relation to conference carriers. But he said "the margin is maybe 5 percent."

Although it appears freight rates are firming up in the container carrying business, they still are so low that sometimes it seems questionable just how deeply bulk carrier operators should involve themselves in the container shipping market, reflected Harrington, of Star.

As a backhaul commodity, containerized cargo is attractive because "containers are quick on and quick off" and, unlike relying on bulk commodities for backhaul, a lot of time is not wasted waiting for berths, he said. But being in the containerized cargo market requires a "far more labor intensive" organization, from first-rate marketing personnel to sophisticated computers, he noted.

"Suddenly, you're no longer in the steamship business. You're in the trucking business, the rail business and other things." But for Star, Westwood and Gearbulk, the conbulk form of vessel operation has been an effective way to maximize utilization of cargo carrying capacity. And if freight rates continue to adjust themselves upward, operation of these open-hatch vessels again may be more than moderately profitable. ■

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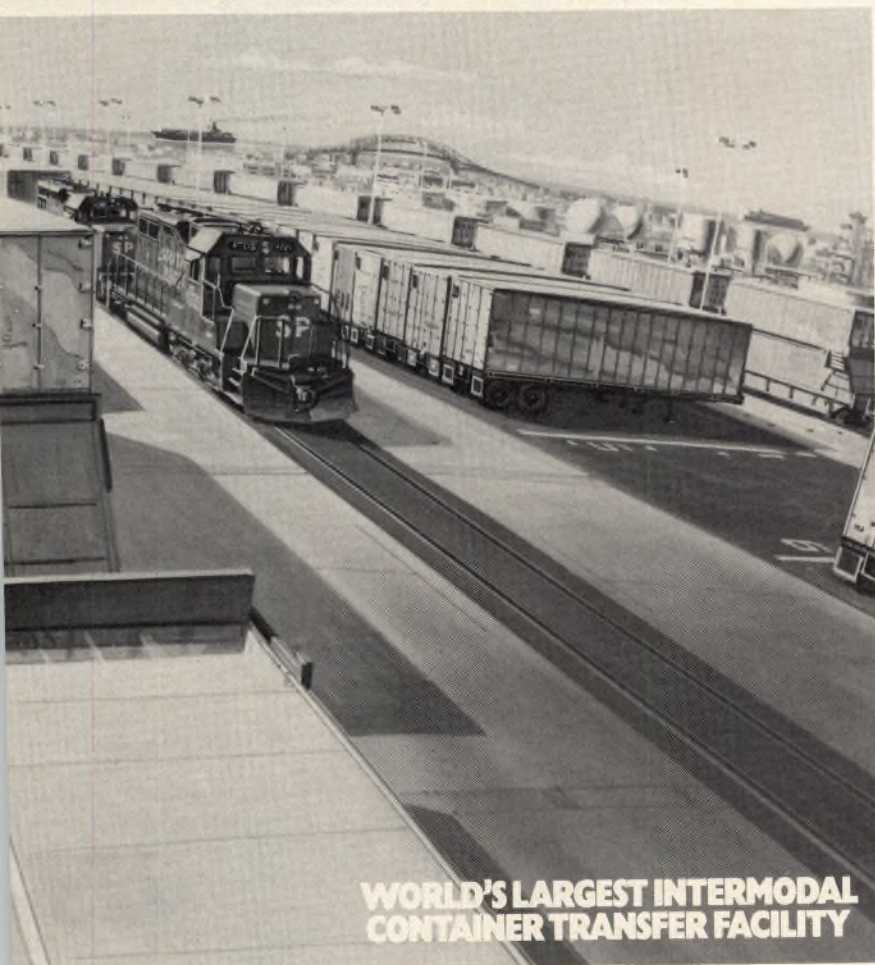
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Tramp Owner

Ole Skaarup, operator of one of America's more successful foreign-flag operations, thinks the root of the problem with the U.S. merchant marine is industry's ignorance of the shipping business. In an internationalized economy, he sees the question of flag becoming less and less relevant.

By Bruce Vail



Ole Skaarup

Ole Skaarup has been talking to some people at the Massachusetts Institute of Technology about endowing a new chair at the Sloan School of Management. The idea is to teach America's business elite, not just the traffic managers, something about shipping.

"I have one overpowering feeling about what is wrong with the shipping business today and that is the people who need the shipping don't know anything about it. The people who need transportation leave it to the ones in the shipping business to run their affairs and that is very bad," commented the Danish-born chairman of Skaarup Shipping Corporation.

"I am going to do more preaching about this particular thing because it is one of the most important things we can do for the United States. We have to teach top management that transportation is one of the key factors to success," he emphasized.

But if industry as a whole is going to hear this message, Skaarup is probably one of the more qualified persons to deliver it.

As chairman of Skaarup Shipping Corp., a company he founded in 1951, he is one of this country's elder statesmen of the bulk shipping business. Using the term 'statesmen' is appropriate because he has chosen to involve himself with industry groups trying to shape govern-

ment shipping policies. He is, for instance, a long-time member of the executive committee of the Federation of American Controlled Shipping, a lobby group attempting to protect the interests of U.S. owners of foreign flag shipping.

In addition, he has manned the free enterprise ramparts in the ongoing struggles over global shipping policy within the United Nations Council on Trade and Development (UNCTAD). Skaarup has backed up his opinions with dollars as one of the supporting members of the Centre for Maritime Cooperation, an initiative of the International Chamber of Commerce, designed to blunt UNCTAD's assault on open shipping markets.

As far as his own organization is concerned, Skaarup Shipping Corp. owns, operates or manages a fleet of bulkers that fluctuates in the 20 to 25 vessel range. These ships fly the flags of the United States, United Kingdom, West Germany, Liberia, Panama, Cyprus, and Vanuatu.

An affiliated company, Skaarup Chartering Corporation, is said to be the largest dry cargo ship broker in North America. His organization maintains offices in London, Hamburg, Hong Kong, and Greenwich, Connecticut.

Educating Industry. In many cases, "the

transportation of raw materials is 60 to 90 percent of the cost of the raw materials when it reaches its final destination. And for that reason industry should take a very substantial interest in transportation. But they have not been willing or able to do it," Skaarup said.

"The result of this, and it is the responsibility of senior management who have turned it over to the traffic manager, is twofold. One, the American merchant marine has gone completely to hell, and two, the American export business suffers terribly," he added.

Along this line Skaarup further commented, "A guy who gets into the traffic department of an American industry is getting into a dead-end alley and he gets nowhere. And for that reason, anybody with any 'go' tries to get out of it as fast as possible. For that reason nobody pays any attention to transportation: they don't recognize how important it is."

Service Sector. While critical of U.S. industry's neglect of the transport sector, Skaarup himself has been one of the beneficiaries of this neglect. He attributes his success to his view of the shipping business as "strictly a service business," a concept widely applied in the liner business, but less fashionable in the bulk tramp sector.

"I do not consider us a shipowning company for our own sake. We are a

service company and we provide transportation for our customers and we do it for their benefit, not for our own. If we did for our own benefit we would be out of business like so many others. We have accepted the service function," he said.

Skaarup has extended this concept from his base as a shipowner to offering ship management services to other owners. And, in a further extension that takes advantage of the current depression in the shipping industry, he is offering ship management services to a new kind of owner, the bank that has just foreclosed on an operator who can't meet his loan payments.

"We work closely with several American banks because of their problem loans. We have set up a thing we call our 'intensive care service' where we help banks who get stuck with ships with bad loans. If a ship defaults and the bank has to foreclose, that is not a paper transaction. You have a ship that is stuck in an odd port and you have a crew that has to be paid. And you might have a perishable cargo that has to be taken care of—physically. And banks and lawyers are not capable of doing that," Skaarup explained.

"So, we have worked in a very close relationship with some banks where we assist in these matters. It has been a very interesting new activity that was not needed 10 years ago. I think we have pioneered that," he added.

Ship Management. The subject of ship management is one where Skaarup speaks with authority and some passion. Although he started in the business as a ship broker, he soon became involved in the management of both of his own ships and those of other owners.

Ship management, he pointed out, is more important in the bulk trades than in the liner business. The analogy is between wholesale and retail where the liner business is the retail end. On the wholesale end, legions of salespeople and extensive advertising are unnecessary, making the actual management of vessel operations a proportionately larger percentage of the whole business.

For this reason, Skaarup maintains the majority of his fleet under flags of convenience. "Flags of convenience, in this country, are considered a kind of dirty thing. This is very unfortunate because the fact is we are giving a substantial service to the country. The ships we are running create a very favorable rate structure" for U.S. industry, he said.

But the system of flags of convenience is getting "to be a silly thing," according to Skaarup.

Noting the creation of new open registries is a booming business, he commented he believes this to be a very

'Industrial Transportation'

We have seen the emergence of what I call "industrial transportation."

This fundamental transformation started with the European steel companies which recognized the advantage of gaining full control over the transportation of their raw materials. Ships were acquired by big industrial concerns to carry their own cargoes, either through outright ownership or through special long-term deals that amounted to virtual ownership.

This pattern has gained general acceptance, not only elsewhere in the steel industry but also in power companies, aluminum, sugar, cement, grain, fertilizers, gypsum and many other industrial concerns.

In the oil business, captive fleets have been standard almost from the start of waterborne transportation of oil. And the Middle East oil producers are steadily increasing their own fleets.

It is evidence that this trend has severely curtailed the amount of cargo available to the tramp owner and, in my opinion, represents probably the most serious challenge to the future of the tramp owner. If there is a glimmer of hope in that future, it is that in recent years some medium and small industrial companies have decreased or even eliminated their captive fleets in favor of chartered in tonnage. But these remain the exception, not the rule.

Perhaps one reason for the trend favoring captive fleets has been the failure of the tramp shipowners to cater to the interests and requirements of shippers, and to accept their role in providing a service. It is natural that shipowners will try to keep their ships employed. When there is a shortage of ships, they succeed admirably, whether their ships are suitable for the trade or not. And when demand outpaces supply, freight rates have had no relation to costs and a reasonable return on investment. Shipowners charge whatever rates the market may bear—at times unconscionable amounts of money.

The wild gyrations of freight rates are unacceptable for the orderly conduct and long-term planning of big business and industry.

Consequently, as the consumers of ocean transportation learned more about the shipping business, they found the pattern of the tramp business unsatisfactory. The result was "industrial transportation."
—Ole Skaarup

short-sighted and dangerous solution to the problems of shipowning in the traditional maritime nations.

"People who are flagging out now go to a Korean, Indian or Filipino crewing agent. And then they (the agents) go out and recruit on the street corners and they sell you a bunch of heads. And he gets X number of dollars per head. It's a terrible system.

"The other day I had a Norwegian outfit in my office that said 'We can run a ship for \$2,000 cheaper per day because we use all Philippine crews.' But he didn't know anything about them, he had never talked to any of the crew. He didn't even speak their language. I predict in another two years these ships will

be halfway destroyed.

"And the operators who do this pass on this kind of service to the consumers, the people who need transportation. And when they (the shippers) find out the difference between a ship that is properly run and these ships that are haphazardly run by unknown entities, they will have a rude awakening," he commented.

Sea-Going Menace. "I hate the thought we are going to have all these ships sailing around with obscure types of flags and obscure crews who are going to be a menace on the sea," Skaarup continued.

This will, he asserted, have its effect of the marine insurance business, specifically on liability insurance. "We are

'Beginnings of a Pattern'

You can see the beginnings of the pattern I visualize for the future.

Ocean transportation will be dominated by the very large shipping combines (VLSCs). They will consist of powerful financial institutions and funds that will own the ships, probably some in joint ventures with shipbuilders. The fleets will be operated by large management companies experienced in ship operations. Some will be present day tramp owners who are already planning to convert their companies for such operations.

The fleets will be run on special contracts and in close cooperation or in joint ventures with the industries and the shippers that require the transportation.

And enterprising wholesale brokers or entrepreneurial shipping concerns will assist in putting the deals and ventures together.

It seems logical to me that when businesses and industries are merging into very large commercial combines (VLCCs) the shipping business must follow suit. The stakes are becoming too high for ordinary shipowners, and banks and financing institutions are becoming increasingly fed up with the old pattern of financing the major portion of the cost, realizing only a small interest spread if a venture is successful and carrying the entire down-risk.

If you look at Japan, Inc., you can see this pattern in full operation. The owning companies are really not independent shipowners in the strict sense of that term. They are service companies for industry and trading companies, all working hand-in-hand with Japanese shipyards and banks with suitable control and assistance from the government.

I believe you can see the pattern in the liner business where the capital requirements for ships, boxes, trucks and port facilities are so enormous that only a small group of ultra-large companies are capable of making the investments and getting the necessary credits. Even they have to pool their resources.

— Ole Skaarup

going to have the same problem that the rest of the world is having with liability insurance today," he predicted.

"In shipping, which is a dangerous trade, you build a ship for \$20 million and you hand it over to a bunch of Koreans. You don't even speak their language and they take the ship out to sea and you don't see it for another couple of years. And they sail around in storms and hurricanes with all sorts of maritime risks.

"Every half year a new crew comes aboard who knows nothing about the ship. It is absurd that this is possible today.

"When I learned the business we had strict control. Our captains, our mates, our engineers were promoted carefully, little by little. We assigned them to ships they knew something about and we tried to have continuity. Officers and crew were the important part. The crew is the all important factor in maintenance and safety and everything else. You cannot run a ship from ashore. If you buy crews you don't know anything about you are taking an absurd risk," Skaarup said.

Politics. Despite these problems with the flag of convenience system, Skaarup remains a defender of unregulated shipping markets. He, for instance, says he disagrees with 99% of what UNCTAD is trying to do in the shipping sector (the one percent he agrees with is the position UNCTAD takes that the owner of a vessel should be easily identifiable and held responsible for his property).

On the U.S. shipping policy level, he finds little he can agree with. Cargo preference in any form promotes inefficiency and passes increased costs on to the consumer, he said. His disapproval of cargo preference extends to the Jones Act, which, Skaarup says, "protects a tiny segment of the population to the detriment of the whole country."

He questions the basic rationale behind all maritime subsidy programs when he commented the U.S.-flag merchant marine "is very much overrated for defense purposes." Citing his experience working in the U.S. military during World War II, he claimed the Pentagon could make do using American-controlled foreign-flag tonnage and the vessels of friendly nations.

Outside the requirements of the Jones Act, Skaarup said there is no real need for a U.S. flag merchant marine.

"I really don't see what good registration in one country is when the ownership, financing, insurance, crews, etc. come from someplace else. ... To me, the solution is to have one registry for everybody in some place like Luxemborg," he suggested.



Larsen



Nilsen-Moe



McCue



Parker

Corporate Changes

Skaarup Ship Management Corporation in November merged with Skaarup Shipping Corporation, which will now be the title of the combined companies.

The executive changes include appointment of Bent O. Larsen as president of Skaarup Shipping Corporation; Erik Nilsen-Moe as executive vice president; David D. McCue as vice president; and Frank R. Parker as treasurer.

Larsen assumed the duties of James F. McHale, a veteran Skaarup executive who is retiring but will remain active as a Skaarup corporate director and consultant to the firm.

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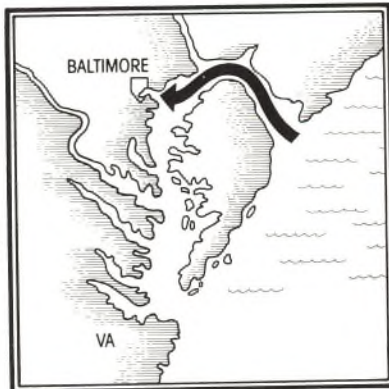
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Luncheon Speaker: The Hon. Edward V. Hickey, Chairman,
Federal Maritime Commission

Keynote Speaker: The Hon. Edward J. Philbin, Commissioner,
Federal Maritime Commission

Panel: The Carriers' View — 9 a.m.

Moderator: Paul Richardson, Paul Richardson Associates

Panelists: John R. Arwood, Trans Freight Lines
Manuel Diaz, U.S./Europe North Atlantic Conference
Ron Gottshall, TWRA
R. Kenneth Johns, Sea-Land Incorporated
Daniel J. Kerrigan, Atlantic Container Line
Capt. Warren Leback, Puerto Rico Marine Management Inc.
Richard V. Parks, Farrell Lines Incorporated

Panel: The Shippers' View — 2 p.m.

Moderator: Don Becker, The Journal of Commerce

Panelists: Anthony Barone, Warner Lambert Co.
Richard Collins, Draco Marine Corp.
Mel Friedlander, Eden Toys
Richard Haupt, Ford Motor Co.
Helga Jalkio, International Transport Ltd.
Gerald Seifert, House Merchant Marine and
Fisheries Committee
Roger Wiggins, 3 M Corp.

Other panelists to be announced

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Last fiscal year, Nike shipped 40 million pairs of shoes for the U.S. market.

Nike: Don't Put Too Many Shoes in One Basket

After toying with the idea of owning their own ships, corporate officials decided to stick to shoes and merchandising. By Bruce Johnson

A few years ago, the folks at Nike Inc. of Beaverton, Ore., the nation's largest athletic footwear firm, were thinking about acquiring their own ships to handle the company's soaring Asia-to-America shoe traffic.

Import business still was booming and freight rates generally were holding firm at a high level. With huge American consumer acceptance of Nike goods (the majority of which are made in the Far East), it was tempting to charter and fill up one's own ships and drastically decrease those liner carrier charges.

But the people at Nike compromised between liner operations and company-dedicated ships when Seawinds, looking for container traffic as a means of repositioning vessels for forest and agricultural product westbound movements, entered the increasingly crowded waters of the Pacific.

Recognizing the favorable economics involved, Nike not only entered into its first service contract for using a portion of the inbound space on Seawinds' three chartered vessels. The import firm took a minority equity interest in the carrier as well.

As things turned out, Seawinds later failed to survive increased competition from carriers with newer, larger and faster ships and certain other difficulties, including lack of cargo balance.

Lessons Learned. But looking back on the Seawinds experience and what Nike now has accomplished in terms of transportation and distribution, the lessons learned from being associated with Seawinds have made Nike more viable in today's service contract market. The people at Nike were poised to take full advantage of deregulation of the shipping industry under the Shipping Act of 1984.

"What our Seawinds experience did for us, besides giving us very good service out of Southeast Asia which was developing at that time, was give us insight into the transportation business," reflected Virginia M. Hopkirk, Nike's transportation manager, liner services.

"The other thing it did for us was to get us away from the conference mentality," she said. When deregulation evolved, Nike was ready to derive benefits from the greater permitted flexibility in both pricing and service, she indicated.

At the time this transition was occurring, Nike was establishing a network of consolidators throughout Asia. So, the company was acquiring greater flexibility in accumulating cargo volumes for shipment to the United States—and for shipment directly to other foreign countries.

"We began to recognize that we were a big company and that our volumes

could do things for us," Hopkirk related in an interview with *American Shipper* at the firm's suburban headquarters outside Portland.

Before Seawinds went out of business a few years ago, the firm was carrying 45 to 50 percent of Nike's inbound surface business.

85% Under Service Contracts. By the end of 1986, cutrate service contract shipping accounted for 85 percent of Nike's waterborne product movements from Asia to the U.S. Service contract carriers for Nike last year included Hanjin Container Lines, Evergreen Line, OOCL-Orient Overseas Container Line, American President Lines and Zim Container Service. On a non-contract basis, Sea-Land Service also was a key carrier for Nike.

As of this writing, Nike had not yet firmed up service contracts for the new year. But Hopkirk said it was the company's intention to stay aggressive in the service contract arena.

"Our philosophy is to work directly with the carriers," she said. The Asia North America Eastbound Rate Agreement (ANERA) conference has been trying to rein in independent-minded members, but she noted that several key carriers either have bolted from ANERA or were seriously thinking—at last report—about doing so.

Like many other shippers, Hopkirk sees red when the subject of shipping industry re-regulation surfaces for discussion.

"I'm outraged that many carriers want to jettison the Shipping Act," she declared. "We want to make sure we're not captive again—looking down the barrel of a loaded gun."

Negotiating Strength. As the nation's largest seller of athletic footwear, Nike is in a position of considerable strength to negotiate favorable rates under service contracts.

During the 1986 fiscal year that ended last May 31, the company shipped 40 million pairs of shoes for the U.S. market, generating revenues of \$649.5 million. Apparel items ancillary to the sports shoe market accounted for another \$164.6 million in U.S. sales.

Foreign Markets. In addition, foreign revenues totaling \$252.7 million were generated during the last fiscal year. Nike markets its products in about 50 foreign countries. Foreign sales last fiscal year accounted for 24 percent of overall company revenues.

Most of the foreign sales involve shipments received directly from other foreign sources. But some shoes imported and stocked in the U.S. find their way



"Our philosophy is to work directly with the carriers."

—Virginia M. Hopkirk

into foreign markets.

Sometimes, new dealers overseas, such as in Switzerland, are stocked with some shoes out of U.S. inventory so as to quickly build retail selection. At the other end of the spectrum, cash customers buying shoes on a spot basis, for distribution in Ecuador, for example, are accommodated with inventories accumulated in America. Hopkirk said Nike now ships about 4,000 (40-foot-equivalent) container loads of shoes and apparel goods each year from foreign sources to the U.S. Foreign-to-foreign shipments run 600 to 800 container loads a year. For every 10 containers inbound to the U.S., Nike ships one container from the U.S. to foreign destinations.

Besides occasionally shipping foreign-made shoes out of U.S. inventory, Nike exports patented, cushioned soles. The soles, which Nike itself fabricates at Beaverton, are sent to all overseas supp-



By the end of 1986, service contracts with lines such as Taiwan's Evergreen accounted for 85 percent of Nike's waterborne movements from Asia to America.

liers of Nike-brand shoes.

In order to fully control its patented "Air" technology, Nike is continuing to produce its soles in the U.S.—even though higher fabrication and transportation costs are involved.

Shifting Sources of Supply. All of the Nike's finished footwear is manufactured overseas, although half of the company's apparel items are made in the U.S. In terms of revenues, footwear accounts for 80 percent of Nike's U.S. sales. At the outset of Nike's shoe production, Japan was the origin of almost everything that the Oregon firm imported. Primarily because of increased labor costs in Japan, only some high-end apparel goods are imported from there now.

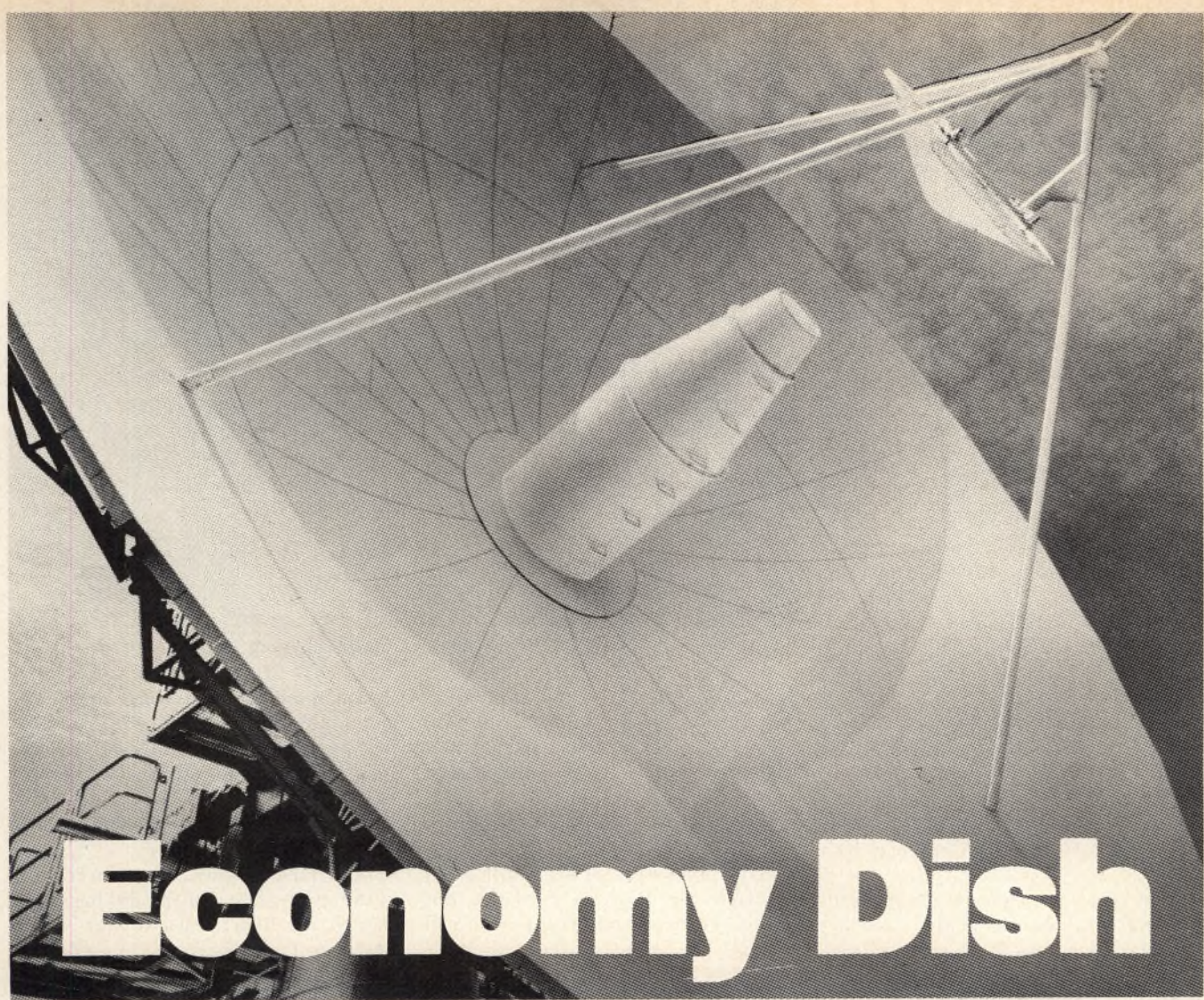
During the past year, Korea accounted for 57 percent of Nike's foreign production. That was down, however, from 65 percent earlier—reflecting the trend toward lesser-developed nations producing goods for the U.S. marketplace.

Taiwan accounted for 15 percent of Nike's foreign production last year. Thailand logged 10 to 12 percent of the firm's traffic and the People's Republic of China accounted for 5 to 7 percent. Nike has been receiving goods from China since 1980. The firm now is working with four factories there. Good growth potential for Nike is anticipated out of China, according to Kevin R. Brown, the firm's director of corporate communications.

Most of the overseas shoe and apparel manufacturing for Nike occurs in Asia. Some apparel goods also flow from South America and a small quantity of footwear from Italy—Nike's only European source now that the company has stopped having shoes produced in Yugoslavia. Nike was involved in Yugoslavia for only the past three years.

"We thought it would be a great place to manufacture the budget soccer shoe line for Europe" because of truck transportation ties with Yugoslavia, Brown said.

But the price of shoes made there was pegged to the German mark. So, as the



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dollar got weaker, the price of Nike's Yugoslav shoes got higher. Another factor was that Nike started up some Yugoslav production of sport shoes for the U.S. market, only to discover that freight rates became too high for the product to bear.

When Yugoslavia was shut down as a Nike source and production was shifted to Asia, Taiwan became the biggest beneficiary. Containerized ocean shipments account for the vast majority of Nike's U.S. import freight—even though air freight frequently played a dominant role in the company's early years.

Air Cargo. Sometimes, an entire plane—for example, a DC-8—was chartered to fly in shoes from the Orient.

In those days when Nike received a big order, the company had too little inventory in the U.S. to fill such an order. So, the entire order was filled via air freight, so as to quickly deliver the time-sensitive shoes. In doing so, Nike early established itself as a firm with the reputation for providing quality dealer service.

Today, with some 13,000 retail accounts in the U.S., the company has a high-volume but widely dispersed base of customers. In most cases, air freight receipts now are limited to rapid introduction of new shoes and apparel for dealers.

A few years ago, a new model of sport shoe might be in hot demand in the U.S. for at least 18 months. Now, a new shoe's popularity period may be limited to as little as eight months, Brown observed.

"The consumer is very fashion-oriented, almost fickle," he said. So, air freight remains necessary at times for Nike.

Also making the shoe and apparel import business more challenging these days is the trend towards retailers stocking less inventory. Not only does this hold down physical costs, it helps assure that the stock being sold is more current—provided that the supplier is capable of making fast deliveries.

West Coast. As a consequence, fewer customers are ordering container loads of shoes or wearing apparel. Usually, the loads must be broken down for distribution rather than delivered direct. Also contributing to this situation for Nike is the firm's entry into specialty product markets—such as shoes for lower-volume bowling alleys, tennis shops and bicycle stores.

In order to facilitate import arrivals without taking to the air too much, Nike routes most of its shipments via the West Coast rather than the Panama Canal to inland and eastern destinations. Nike is a heavy user of stack train services.

The Pacific Northwest ports of Seattle



Nike ships about 4,000 FEU of shoes and apparel goods each year to the U.S.

and Tacoma are Nike's primary points of entry, according to Hopkirk. She said this is due to intermodal connections and lack of congestion relative to Southern California. Los Angeles and Long Beach, though, are large-volume ports of entry as well.

Nike's home town of Beaverton is not far from the Port of Portland. But because Portland lacks first-port-of-call inbound liner services, the company's Northwest-received cargo comes off the ships at the Puget Sound ports, she explained.

Today's system of receiving Nike shoes and apparel is much improved from the days of Seawinds operations. While Seawinds initially was a good fit for Nike because of the firm's need for intermodal as well as cost-effective service, Nike now has sizable shipments hitting port every three or four days instead of every 10 days via three Seawinds ships.

Three Distribution Points. Nike has three U.S. distribution facilities—a 635,000-square-foot warehouse at Memphis (which handles almost all of the firm's U.S.-sold apparel as well as handling shoes), a 405,000-square-foot structure at Greenland, N.H., and a 250,000-square-foot building at Portland, Ore. The company has about a dozen direct-delivery customers.

Two years ago, Nike stumbled in its race for continued profits in the athletic footwear market. The firm experienced financial losses during two quarters and managed only a modest profit for the fiscal year.

"We were six months to a year behind"

in reacting to a major change in American consumer tastes in the sports shoe and apparel business, Brown cited as being the key reason for the temporary sag in Nike's fortunes. As a result, the company got stuck with some high, hard-to-move inventories.

Reflecting how fast things can change in the sports shoe and apparel business, though, the 1986 fiscal year was Nike's best ever. Total revenues surpassed a billion dollars for the first time and net income reached \$1.55 per share of common stock.

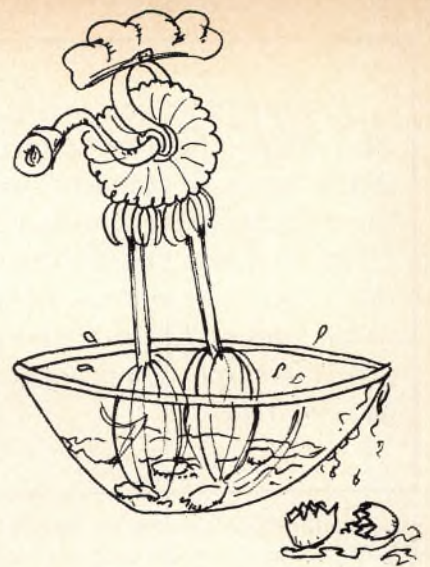
Brown said Nike has managed to cut its inventory of footwear by more than 50 percent during the past two years, has "inched up" prices of new products and had a phenomenally successful sales drive last fiscal year on one particular shoe line.

Also generating some savings was a tighter rein on transportation and distribution expenses. Greater use of service contracts and intermodal services contributed to that effort.

25¢ Per Pair For Freight. Ocean freight costs, for example, now amount to an average 25 cents per pair of shoes sold by Nike in the U.S., according to Hopkirk. That's considerably less than a few years ago prior to the firm's entry into service contract shipping, she noted.

Based on her experience at Nike, Hopkirk has this advice for other shippers looking for ways to save on transportation costs:

"Stay close to the market. Develop a long-term relationship with your carriers—carriers that serve you in both good times and bad."



It Looks Like an Egg-Beater, But is it?

Consistently numbered, with identical headings and a simpler set of criteria for classifying certain items, the Harmonized System of tariffs appears to be a good idea.

By Ben Carey

It will be the world's trade language, bringing to this planet international cooperation and truth in trade statistics.

Ask U.S. Customs import specialist Yvonne Tomenga about the Harmonized System (HS) of tariffs proposed to go into effect Jan. 1, 1988, and this is what she'll tell you. After a few drinks she might even suggest that the new system is the first step toward world peace.

World peace? World peace from some heavy, eye-glazing book of numbers and charts compiled by a bunch of lawyers with thick glasses?

Well, no, she conceded, mankind is not so simple, its problems not so easily solved. However, said Tomenga, who was recently in Brussels helping compile explanatory notes on the new system, "While most people worry about larger things such as nuclear war, there's a small group of people in these countries who have worked hard on this thing (the HS), plodding along toward real cooperation." Simply stated, she said, the beauty of the new system is this: Any given item, say a Swiss Army knife, falls under the same category and same number in India as it does in the United States, Brazil, Spain, etc.—all of the GATT nations plus a few others. More, each country will have a copy of the tariff schedule in its *town language* and not have to work from roughshod translations of French or English.

The New and the Old. From afar, HS looks the same as Tariff Schedules of the United States of America, or TSUSA, the present system: Both are thick, cumbersome tomes full of numbers and headings and explanations not really meant for Sunday afternoon reading. Most people would prefer to leave it at that. Nonetheless, closer inspection reveals a number of changes.

The first of these is the numbering. In TSUSA, items are given a five-digit number, in which the first digit specifies the item's schedule and the following four distinguish variations of the article. In HS, participating countries have agreed to accept a six-digit identification code, in which the first two numbers indicate a broad category, such as metals, the following two a category,

such as household articles, and the remaining two specify further variations.

In the various talks, consultations and seminars that have taken place since the Brussels-based Customs Cooperation Council began work on HS in 1971, it has been agreed that participating countries may refine HS to suit their respective Customs operations, as long as the first six digits and their headings are *identical for everybody*. The United States, if and when it installs HS, will use a 10-digit system, the first two extra digits for further item specification—further "break-outs"—and the final two for record-keeping purposes.

"This way, countries—Taiwan, for instance—can't say, 'We didn't know this thing went under this category.' (With the HS) we can just say: 'Can't you read Taiwanese?'" said Tomenga. "It will expedite the trade process all along the way."

Another change from TSUSA to HS is the headings. Since the new system is based in some measure on TSUSA, many of the headings are similar. But HS also takes into account the present tariff schedules of Canada, Japan, India, the U.K., Brazil and France to name a few, so that a number of items which rarely or never pass through U.S. Customs are included, such as some exotic foods and spices traded in the Far East and Asia. Add to these sundry other items that are

The New Trade Language

For instance, you might get an eggbeater that can also (by design) be used to mix paint and chop vegetables. ... Suppose there's an artist out there who's a vegetarian and he uses the thing to mix paint, chop vegetables and beat eggs. You can't easily say what the chief use is. We may have to go out and ask people what they use it for if that's what it takes. In cases where you have three uses, principal use (interpretation process under the Harmonized System) is very helpful.

— Yvonne Tomenga



nondutiable under TSUSA but are elsewhere (such as *corpses*, of all things) and what you get is an HS list that is comparable to TSUSA, though a bit longer and somewhat altered.

Issues of Interpretation. These changes, keep in mind, are the major ones *in the text itself*. Under HS a signatory country must uphold three things—all of the headings and subheadings without modification; the numbering sequence that goes with them; and the General Rules for Interpretation, the fine print of HS.

Here the major areas of change and discussion in the General Rules:

- Consolidation of tariff provisions and consolidation of rate lines that have little or no trade. The purpose of these consolidations is to purge the gratuitous detail from some tariffs, such as those for various textiles, particularly cotton fabrics, where you have some 200 different rates in TSUSA. Also, rarely traded items are grouped together.

- Modification of the chief use definition. Chief use, which means literally the use that outweighs all others *combined*, is a criterium for classifying items that has created more than a little confusion under TSUSA.

"For instance, you might get an eggbeater that can also (by design) be used to mix paint and chop vegetables," said Tomenga. "Now you *know* it's an eggbeater, but you can't say if people are going to use it as one more than fifty percent of the time. (Under the chief use criterium) this would get kicked up into some more general category. And these days, with changes in technology, you get things that do more at once—like a VCR with stereo speakers and a TV all in one. They make those. How do you classify *that* (under chief use)."

In place of chief use the CCC has installed principal use, or the use that outweighs any *single* other. The benefits of the new criterium are transparent.

- Elimination of the Chemical Appendix and the American-selling-price provision for benzoid-base chemicals. The

Chemical Appendix is an intimidating group of criteria requiring lab analyses and other difficult ministrations to classify chemicals. Life might be simpler without it, but whether it should be completely stricken from the books is doubtful, though industry sources say it still may be possible.

The American-selling-price provision calls for duty on benzoid-base chemicals to be applied to the domestic price of the chemical at time of entry. The CCC has eliminated it.

- Reduction of the number of provisions for ornamented clothing. The CCC has directed the United States to strike from its tariff schedule some of the criteria which divide garments into 'ornamented' and 'non-ornamented.' No other country breaks down wearing apparel in this manner.

- Watches. Under TSUSA a single watch drew three separate duties—one for the batteries, one for movement (i.e. windable or self-winding), and one for the case.

"Electrical watches, digital watches weren't watches; they were classified as 'electrical articles'," said Tomenga.

The new CCC rule: A watch is a watch.

- Metallic Ores. To establish metallic ore duties one must determine the composition of the ore, its lead, zinc or copper content. This is done by either absolute deduction, a calculation based on the type of metal and the smelting process it has undergone, or by requiring that comprehensive records of production and manufacture be kept.

The CCC has suggested eliminating the second, more burdensome, of the two methods.

Specific Changes. It would be an ungodly task to spell out, item by item, the effect of all the numbering and heading changes and new interpretive policies. Nor do generalizations come easily. The most cogent assessment of the new system is perhaps in an International Trade Commission overview of HS pub-

lished in 1984, which said: "Some tariffs increase. Some tariffs decrease."

The only way to cut through it, say industry observers, is to watch your own behind.

"Footwear basically will be effected favorably," said John Pellegrini, a Ross & Hardies lawyer who specializes in footwear and apparel cases.

"A lot of work was done on this thing to deal with any changes. We eliminated chief value, eliminated gender criteria, but there are still problems with the foxing-like band (a shoe feature used to classify footwear)."

On balance, he added, both footwear and apparel will see some improvement, but "One never knows how commerce will effect (textile and apparel) quotas. We don't know what the government is going to do. Maybe it will be quota neutral, maybe there will be quota switchovers."

Clearly, for Pellegrini, the textile industry and its associated parts, any alterations of the tariff system make for a high-stakes game. Textile importers have been on top of HS from the beginning. But for other, smaller importers not able to afford a real presence in Washington much of the change has been obscured. And this could be damaging.

As an example, said Tomenga, a specialist in sports equipment, bicycles and parts, is sports gloves.

Under TSUSA these are classified separately and move into the country duty-free under GATT's Generalized System of Preferences (GSP). In HS these gloves originally fell under the international heading for regular leather gloves, which are subject to duties, visas and quotas.

"They (sports gloves importers) would have had very high tariffs," Tomenga said, "so we made the industry aware that, yes, we should have a break-out for sports gloves and we should make it GSP."

The deadline for submitting comment on the new system is mid-January 1987. ■

Service Merchandise Thinks ANERA Blundered

Nashville-based importer appears likely to make greater use of the West Coast and to shift the bulk of its business to independent carriers. *By Richard Knee*

Dissatisfied with conference policies regarding route rate differentials and service contracts, Service Merchandise Corporation (SMC) is strongly considering increased use of the West Coast as a gateway for its Far East imports and the shifting of its business to outsider lines, according to a company executive.

With the Asia North America East-bound Rate Agreement (ANERA) setting the same rate for both all-water and minibridge services to the East Coast, "why should I pay for slow service the same price as I pay for faster service?" remarked James K. McConnell, assistant vice president of traffic for the Nashville-based chain.

SMC also dislikes ANERA's refusal to let its member lines sign service contracts on their own.

"We have not negotiated nor do we intend to negotiate a contract that would not be signed by the shipowner," McConnell asserted.

The company does not want to enter an agreement with "a third party that has no financial interest in the proposition," he said.

ANERA's Loss. If SMC does, in fact, yank its business away from the conference lines, their loss would be upward of 1,300 FEUs a year.

SMC brings in between 35 and 40 FEUs a week, of which "75% to 80%" move on ANERA members' vessels, McConnell said.

The company has retail outlets in 37 states and does about \$2.5 billion worth of business annually.

The firm has also been using outsider Evergreen Line regularly "and they've done a great job for us," he said.

Currently, he said, "we're looking at all our options. We are talking to those carriers that are not members of ANERA."

However, he added, "we are really not pressed at the moment to make a decision," because SMC's contracts with ANERA members—signed before the rate-making cartel decided to forbid its lines from entering their own service pacts—are good through February.

SMC wouldn't feel pressed on the matter before the first of the year, McConnell said, "but we think we'll have it taken care of" by then.

The company believes the outsider lines have adequate capacity and service levels to meet SMC's needs, he added.

Transloading Mulled. SMC brings in a lot of its cargo well ahead of when it will move onto its sales floors.

"We place our orders ahead of time and put (the freight) in warehouses," McConnell said. The number and locations of the warehouses he declined to reveal.

Currently, only merchandise destined for SMC's western U.S. outlets come in through the West Coast—specifically Long Beach—and the company ships its other goods through Savannah, Charleston and New York.

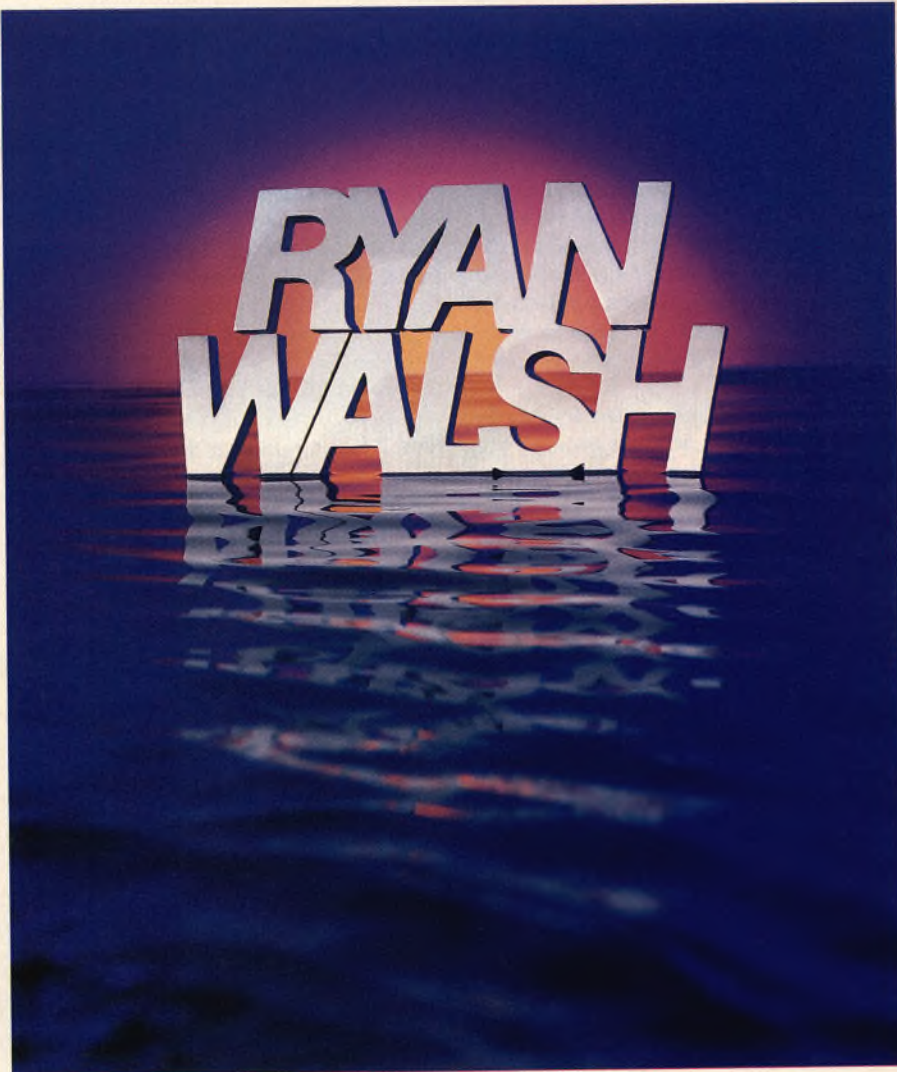
"We do almost no transcontinental

moves," McConnell remarked.

But that could change, he said. The firm may start placing heavy reliance on West Coast ports, where it would transload its shipments into trailers for overland legs.

"We would use Long Beach or Oakland. Seattle could be a great port for us," he said.

More Barbs. ANERA's policies favor the minibridge operators over the all-water lines and will eventually prove costly to its members, McConnell asserted. ■



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Anti-Protectionist Drive Picks Up

Both private sector shippers and the Reagan Administration have stepped up efforts to discourage protectionism in ocean shipping. By Tony Beargie

The drive against protectionism in international ocean shipping is on in full force both at home and abroad.

The Reagan Administration's anti-protectionist message was carried to the Far East recently by maritime administrator John Gaughan and deputy secretary of transportation Jim Burnley, who talked with government officials and industry groups in Japan, Korea, Taiwan, China and Hong Kong. While the removal of trade impediments to U.S. flag carriers was high on the American delegation's agenda, the overall issue of protectionism, as witnessed by various cargo reservation practices in the Far East, was also a strong motive for the trip.

In Hong Kong, Gaughan reaffirmed the U.S. opposition to the UNCTAD liner conference code and listed the Administration's campaigns against protectionism in the Philippines, Venezuela, Argentina, Brazil and Peru.

"The U.S. position on the Code has not changed. We oppose it," the maritime administrator said in a talk before the American Chamber of Commerce in Hong Kong. "We have tried to dissuade others from accepting it. We will not accede to it. We deeply regret that it has been put over the top."

The UNCTAD code "is symptomatic" of increasing foreign government involvement in ocean shipping, either through state-owned fleets or steamship lines, "or through state protection of ostensibly private merchant fleets," Gaughan said.

In addition to the Code, other forms of discrimination have spread over the past few years, Gaughan noted. Such discriminatory practices, according to Gaughan, include:

- Export incentives offered to shippers.
- Discriminatory taxes on foreign carrier operations.
- Restrictions on port services, operations and land activity.

Korea. Gaughan noted that Korea is a supporter of cargo sharing since it has entered into bilateral agreements with "several European countries," and also, that the Korean government "imposes restrictions on our carriers which Korean carriers do not face in the United States."

Japan. In Japan, Gaughan noted, "we (the U.S. government) and our carriers confront a duality," characterized by a

"modern, dynamic" nation that is a "major force in world trade" but also having what Gaughan described as a "narrow, defensive element in Japan's shipping policy that contrasts with its importance in ocean shipping."

With the Japanese, one of the problems the U.S. faces is the liner code, the maritime administrator said. And, while Japan has not yet ratified the code, reports indicate that Japanese flag carriers "are using it to their advantage."

"To the extent we can track these matters, we know that several Japanese carriers are acting as agents helping African central freight bureaus carry out the cargo allocation provisions of the liner code. Since some of these African countries do not have shipping lines, most of their cargo from the Far East moves on Japanese vessels," Gaughan said.

Liner conferences serving Japan—but not the United States—are reportedly implementing schemes contained in the Code in their operations, Gaughan said, noting that such a situation poses "serious implications" for U.S. flag carriers in the increasingly important cross-trades.

CMA's Drive at FMC. While Gaughan and Burnley were in the Far East carrying the government's anti-protectionist message, the Chemical Manufacturers Association launched a tough call to action on the part of the Federal Maritime Commission regarding a relatively new equal access agreement between U.S. and Peruvian flag carriers in the U.S./Peru trade.

In an unusual, but not unprecedented plea, the Federal Maritime Commission was urged to seek a court injunction against the "U.S./Peru Equal Access Agreement" between two Peruvian flag carriers (Compania Peruana de Vapores, the national-flag carrier of Peru and Naviera Neptuno, S.A., another Peruvian carrier) and two U.S. flag companies, namely, Lykes Bros. Steamship Company and Crowley Caribbean Transport, Inc. (formerly Coordinated Caribbean Transport, Inc.).

While calls for court injunctions have been rare, they are not unprecedented. There have been a few instances, when the urging of court action has not been made public, and of course, there was the public plea for court action back in 1985 against the Transpacific Westbound Rate Agreement members regarding minimum rate and independent action issues. (For coverage, see the September 1985 issue of *American Shipper*, pages 9-11.)

In the case at hand, CMA urged the FMC to proceed with court action on

grounds that the agreement members are using the equal access pact as a way of attempting to establish cargo reservation in the bilateral North-South trade which, in turn, would significantly reduce competition by knocking out third flag carriers.

Severe limitations on third flag shipping lines would bring about an equally severe lessening of competition to warrant a court injunction proceeding, CMA VP and general counsel David F. Zoll and assistant general counsel Kenneth M. Kastner told the FMC. Such limitations on third flag access "would meet the statutory test" of the Shipping Act for an injunction against the agreement.

Rumored Pooling Agreement. It was suggested that a pooling agreement among Peruvian and U.S. flag carriers would soon follow should the equal access arrangement be allowed to stand. The CMA officials would only say that a pooling pact is "rumored," and "we understand (a pooling arrangement) may be filed around the end of this year."

And, should the FMC permit the equal access agreement to remain, it would be difficult to enjoin a pooling agreement among the U.S. and Peruvian carriers, the chemical shippers argued. "A court probably would not enjoin a pooling agreement if the Commission has allowed an equal access agreement to take effect, because the pooling agreement is likely to be viewed as not significantly worsening competition in a trade that already allows cargo reservation," the CMA attorneys told the FMC.

Chileans Lost Cargo. The equal access pact has shut out the Chilean carriers in the trade, which in turn has "seriously reduced" service choices for U.S. shippers, the FMC was told. Prior to the issuance of the cargo reservation law in Peru, Chilean carriers were getting over 50 percent of the business in the trade, it was pointed out.

They point out that Chilean Lines offered a sailing averaging every 14 days, and they were late only 1.4 days on the average. Here, it was noted that CPV's service from New York was averaging only one sailing every 33.6 days, which on the average was 20.1 days late.

CMA's action urging the FMC to seek a court injunction against the equal access agreement is now before the regulatory agency along with another proceeding involving Peru's cargo reservation decree. The latter is "on hold" for about three more months, since the commission agreed to give the Peruvians more time to resolve the problems associated with the cargo reservation decree. (For coverage, see the October 1986 issue of *American Shipper*, page 40.) ■

Korea Forced To Ship American

Though the exact tally is not in and some skepticism lingers, it appears South Korean government has taken significant steps to reduce its cargo preference deficit. By Ben Carey

The government of South Korea, traditionally less-than-enthusiastic users of U.S.-flag carriers for military shipments, said it has moved some 3,500 tons of materiel on U.S. vessels in the last 18 months to make up for past transgressions.

"Yes, we have seen an overall increase in bookings of that type; we're moving more cargo," said Bonnie Green, manager of government sales and services for American President Lines.

But whether the upswing represents a real change in attitude, she said, "is difficult to know without seeing the (South Korean shipping) documents."

The Koreans' new, if suspect, bias in carrier selection is part of a settlement reached with the U.S. government on April 3 to make up for shipments moved in violation of cargo preference laws. According to records compiled by the South Korean government, MarAd and the Department of Defense, U.S. carriers were short-changed some 8,500 tons of Korea-bound, U.S.-supplied military supplies between 1975 and 1984.

"It appears they have made up quite a bit. I did see the documents when I was in Korea in September and they have made significant inroads," said Tom Romeo, chief of MarAd's Division of National Cargo. Romeo, who had yet to receive his own copies of the shipping documents for detail scrutiny, is the primary negotiator with the Koreans in an ongoing case which has brought to light some of the particulars of the Foreign Military Sales arm of the U.S. Cargo Preference program and the enforcement of its requirements.

The Law. The Cargo Preference Act of 1954 designates the U.S. merchant marine as exclusive carriers of any commodity whose export is fostered by a U.S. government loan or grant. This means subsidized grain exports, humanitarian aid to Ethiopia, arms deals with Israel, Egypt, Iran—any government impelled export, in MarAd jargon.

As such, any country that buys military equipment from the United States on credit must ship all of it on U.S. ships. All of it, that is, unless the foreign government has what is called a general waiver, allowing it to move up to 50 percent of the cargo on its own ships.

If a foreign government buys U.S. weapons with cash, it may ship the cargo as it pleases; cargo preference laws do not apply.

Korea. Korea is one of a number of countries that buy materiel under both the FMS cash and FMS credit programs, and one of only three that do so without a general waiver. Over the years Seoul has purchased varying grades of military equipment with a cash-to-credit ratio roughly between 2:1 and 3:1.

"They (Korean importers) weren't able to keep track of what was cash and what was credit," said Romeo.

"There was a lack of attention to their freight forwarders here, who were very sloppy. They (the forwarders) would have a warehouse full of stuff that needed to be in Korea in seven days and would just move it out" without worrying about cargo preference requirements. "The records were horrendous," he said.

When apparent discrepancies first

"The forwarders) would have a warehouse full of stuff that needed to be in Korea in seven days and would just move it out" without worrying about cargo preference requirements. "The records were horrendous," he said.

became an issue in 1985, MarAd, Congresswoman Helen Bentley (R-MD), and other grieved maritime representatives put the Koreans' deficit at between 50,000 and 80,000 tons. In addition, there was suspicion that the Koreans had mis-categorized cargo and had deliberately neglected to inform American-flag shipping lines that they did not qualify for certain weapons shipments unless they had at least one crew member on board with "top secret" clearance.

These claims, while they doubtless expedited the process of coming to an agreement, have thus far proved to be largely the result of speculation, conjecture and estimation. The South Korean government quickly produced documents showing the actual deficit to be 8,500 tons and indicating that its violations were due more to carelessness than to any conscious policy, Romeo said.

"We expect them to continue to make it up and get back on track," he said.

"And if they really busted themselves, they could do it fairly quickly. It's incumbent upon them."

Under the new agreement, South Korea will move all of its military purchases unbound by credit exclusively on U.S.-flag ships. As for a general waiver—until now denied the Koreans because of their FMS deficit—Romeo said, "We will consider a request at any time."

Procedure. The FMS program is administered by the Department of State, Office of Munitions Control (OMC). To initiate a purchase a foreign government must first submit a "shopping list" to the Department of Defense which, in coordination with State Department agencies, draws up a contract offer.

The foreign embassy or local purchasing agent then receives this contract offer and must apply to OMC for license while the contract is being parcelled out. Once OMC grants this license to the country's U.S. shipping agent, the equipment is free to move through U.S. Customs.

This process, while simple in its skeletal form, is in practice quite complex, laden with documentation and bureaucratic procedures. As such, it is difficult to keep tabs on all buyers and discipline offenders.

Nonetheless, steamship line officials agree that Romeo and his counterparts in the Defense Security Assistance Agency of DOD have brought relentless attention to the task, especially in Korea's case.

One other country—which Romeo declined to name—is having FMS problems similar to Korea's, and steamship executives say compliance in both cases will be insured only with continued pressure. ■



Colombian coffee originally shipped breakbulk on Grancolombiana ships for the American market found its way to Europe in containers loaded from New York and New Orleans.

(Photo courtesy of Colombia Information Service.)

New York Becomes Exporter of Coffee

Due to an unusual set of circumstances, the port of New York became a major coffee exporting center in the autumn of 1986. *By Bruce Vail*

Most of the people in New York dealing in shipments of coffee are accustomed to working on the import side. After all, there is no commercial cultivation of the bean in the continental United States and this country is the single largest consumer of the refreshing brew. But an unusual set of circumstances, having their origin in Brazilian climatic conditions, have turned the port of New York into a temporary center of coffee exports.

The story begins in the coffee growing districts of Brazil, the world's largest producer and exporter of the crop. Last winter, as their growing season got underway, a drought struck. When the harvest came in, between May and September, production was down by almost two-thirds.

This was anticipated by the men and women who make their living trading in coffee. The looming shortage caused prices to go up on futures contracts traded on New York's Coffee, Sugar and Cocoa Exchange. These prices, a general indicator of the actual price for the physical commodity, were quickly reflected in the price drinkers paid for their daily cup.

Global Pact. The price rise was, and is, a boon to the coffee producing nations. These countries, largely impoverished Third World nations, have long been operating a cartel designed to establish a

minimum price for coffee. This cartel, called the International Coffee Agreement (ICA), sets export quotas designed to stabilize prices.

But with the run-up in prices caused by the Brazilian drought, the need for artificial price supports disappeared. In February 1986, prices reached a trigger point at which all export controls were lifted, according to Walter Springer, a national import specialist with the Customs Service. One of Springer's jobs, that of ensuring U.S. compliance with the ICA became, at least for the time being, unnecessary.

Unregulated exports of coffee flowed into the U.S. as traders built up stocks in anticipation of a shortage. Warehouses in the New York area bulged with beans from Colombia, Mexico, Peru, Ecuador, El Salvador, and even from African producers. As a result, according to Joe McDermott of the National Coffee Association, there is a surplus of coffee in the U.S. today.

Astute coffee traders in Germany saw an opportunity to match European demand with the American surplus. It is not clear whether there is a direct relationship between the German purchases and reported buying in the European market of 300,000 bags by Brazil, so hard hit by the drought that it has to import coffee now just to meet domestic demand.

Astute coffee traders in Germany saw an opportunity to match European demand with the American surplus.

Extraordinary Moves. So, starting in September and lasting through December, was one of the most extraordinary movements of coffee in recent times. Leonard Baldassano helped coordinate these moves for the freight forwarding firm of A.J. Murray & Co. and he said this may well be a record-setting transaction. According to his calculations, over 50 million pounds of coffee have left the New York area bound for Europe.

This coffee, which requires about 1,400 containers, is being shipped largely out of New York harbor but some is going through Canada and Pennsauken, N.J., Baldassano said. The coffee is consigned principally to Hamburg, West Germany, Europe's leading coffee handling center, but some boxes will go to Trieste and others may go to Rijeka, Yugoslavia.

Middlemen in the transactions were reluctant to disclose the owners of the coffee. But *American Shipper* did learn that some of the shipments are consigned to Bernhard Rotfus, a Hamburg trading concern that is one of the world's largest dealers in coffee.

It is reported that some of this will ultimately be consumed in the coffee shops of Hungary, Czechoslovakia and Yugoslavia.

Carriers. This "very unusual" movement is welcomed by carriers in the North Atlantic, according to Nicola Arena, an executive with Containership Agency, representing the independent Mediterranean Shipping Co. North Atlantic carriers are having a difficult time filling their vessels on the Europe-bound end of

their voyages, he reports, and a volume of 1,400 containers is significant given the state of the market.

However, carriers are not generating huge profits, Arena added.

"These (the shippers) are very astute people" and are not paying above-market prices: "But it is very good for us because we don't have to pay to reposition our containers," Arena commented.

Thirty-one containers of coffee were filled in a Brooklyn stuffing shed for carriage by Mediterranean Shipping Company in early November, according to Baldassano. But the "lion's share," he said, was transiting the Atlantic in the holds of Hapag-Lloyd vessels, he added.

Unconfirmed reports indicate 70-80 containers a week were leaving New York aboard Hapag-Lloyd vessels in the month of November.

Included in the 1,400 containers are about 150 that will reach Europe via the Canadian gateway. Trucked to Montreal, CAST and the Russian carrier Baltic Lines will pick the boxes up for delivery to the docks of Antwerp and Hamburg. The Russians will carry about 70 of these containers and CAST will take about 90, Baldassano estimates.

Other carriers involved are Independent Container Line (ICL) and Sea-Land. The aggressive ICL will carry 30-40 boxes with a smaller amount going through Sea-Land. Details are being worked out so that Jugolinija can carry some as well.

In all, about 100 boxes a week are leaving the docks in this "extremely rare movement," Baldassano said.

Other Beneficiaries. In addition to the carriers, a whole host of middlemen are benefitting.

A.J. Murray & Company—where Baldassano and his associate Rick Morana are coordinating the total transport package—is the forwarding firm involved.

Baldassano and Morana arranged for truckers to bring trailerloads of coffee from warehouses in Brooklyn to a stuffing shed operated by Sal Catucci, president of AID Export Trucking. Catucci employs deep-sea ILA men to unload the trailers and stuff carrier-owned ocean boxes with the beans.

The boxes are then trucked across the harbor to the Newark, New Jersey site of Maher Terminals, where Hapag-Lloyd and Mediterranean Shipping vessels are loaded.

Coffee stored in Jersey warehouses are trucked down to the docks for stuffing in a slightly less convoluted movement.

Baldassano said his company had employed eight different trucking com-

Included in the 1,400 containers are about 150 that will reach Europe via the Canadian gateway.

panies for the different aspects of the movement. The traders at the Coffee, Sugar and Cocoa Exchange will get their usual commissions.

The Exchange itself will benefit because all of this coffee is coming out of Exchange-certified warehouses.

All of the coffee being moved in this deal has been stored in these warehouses because certain quality standards must be met in order for the beans to enter the Exchange-certified sheds.

The buyers went this route, rather than purchase directly from producers, as a

way of insuring the coffee wouldn't be rejected as substandard by European roasters.

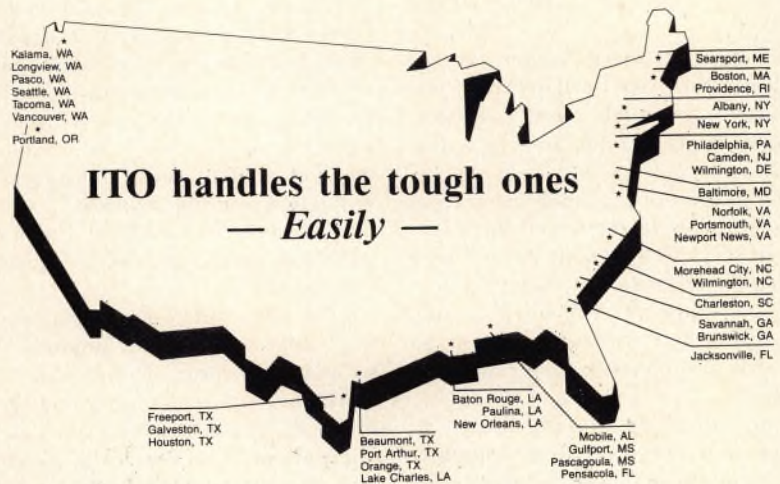
New Orleans. The Exchange also licenses two coffee warehouses in New Orleans. A smaller amount of coffee is reported moving out of these as part of the German order.

Norcom Jackson, at the S. Jackson & Sons warehouse, said two major shipments have left New Orleans bound for Hamburg and Trieste. About nine and a half million pounds—251 containers—were carried to Hamburg by Andean Line, a recently established liner service from the Gulf to Europe.

A smaller shipment of the Colombian coffee, just over 100 boxes, was carried by Lykes Brothers Steamship Company, Inc. to Trieste. ■

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Slivered Almonds with Dried Sardines

California cooperative beats the competition and the strong dollar by tailormaking its products for specific markets.

By Richard Knee

"Our greatest (market) gains the last couple of years have been in Japan. The Japanese ... are much more open (than are many other people) to trying new things."

Such praise doesn't come often from U.S. companies trying to sell their products or services to what is viewed here as a highly protectionist society. But it did indeed come, from Walter F. Payne, sales and marketing vice president of the California Almond Growers Exchange (CAGE).

Payne, speaking before some 80 shipper and transportation company representatives at a San Francisco International Trade Council dinner, added that almond exports to Japan could "very easily" double in the next five years. CAGE sold 42 million pounds of almonds in 1985 in Japan, where 15 years ago "there was virtually no almond consumption," he said.

'We Design Our Products.' CAGE, a Sacramento-based cooperative of some 5,300 growers, attributes its exporting success—even in the face of foreign competition and a dollar that was until just recently considered overvalued—to extensive market research and to tailormaking its products for its customers.

"What we've done, more than any-

thing, is to design our products for each country," he told *American Shipper* following his dinner speech.

A good example, he said, is Japan, where CAGE maintains a marketing office with 50 employees—all Japanese.

"Our most successful product in Japan (in 1985) was a slivered almond in a small, dried sardine," he said. "You couldn't sell that most other places, but in Japan it sold like wildfire."

Consequently, he added, the price of small fish soared to 1,500 yen from 300 yen per kilo.

"The year ended last July 1, we sold \$425 million worth of almonds—\$260 million of it export," Payne said.

Almonds are the number-one agricultural export for California, which produces about 55% of the world's supply, he said. Spain provides about 25% and Italy accounts for about 10%, he said.

The Soviet Market. Even the bureaucracy-ridden Soviet Union provided a strong market for U.S. almond growers, Payne told the dinner audience.

In 1984 and 1985, the industry shipped 113 million pounds of almonds there, whereas previously the biggest total for a single year was 11 million pounds, he said.

"It's a matter of working with the government industry there," he said.

Specifically, he said, U.S. growers were able to convince the Soviets that almonds could be substituted for hazelnuts in chocolate candies.



"Our most successful product in Japan (in 1985) was a slivered almond in a small, dried sardine. You couldn't sell that most other places, but in Japan it sold like wildfire."

— Walter F. Payne,
Vice President, CAGE

In addition, he noted, the industry commissioned a study by agriculture experts at the University of California, Davis, to show how almonds could meet the requirements of the Soviet Union's five-year dietary plan.

'Use the Tools.' Payne is "bothered," he said, by U.S. exporters' reliance on new government assistance programs to boost their sales abroad and by the government's willingness to develop the programs.

"I don't think we're using all the tools that are out there," he told the dinner audience.

Exporters should keep abreast of and use existing programs and opportunities by reading various publications from both government and private industry, he said.

'We Sell Quality, Service.' CAGE and its customers rely primarily on conference lines, because of their superior service, to move their shipments overseas, Payne said.

"We never sell at the cheapest price," he asserted. "We sell quality and service."

The almonds move in containers to "virtually everywhere, except for the Soviet Union," he said. The Soviets send their own vessels to Sacramento, where they take on 5,000-ton, palletized loads.

CAGE ships free-alongside to all customers except those in the Middle East, he said. ■

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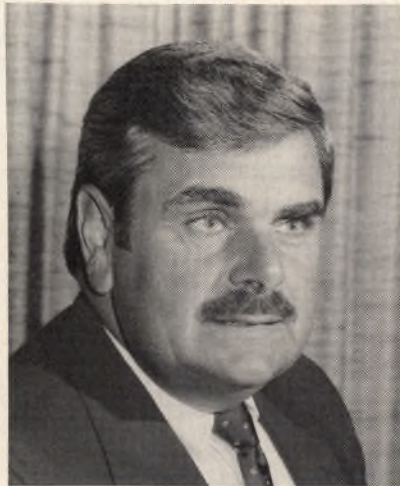


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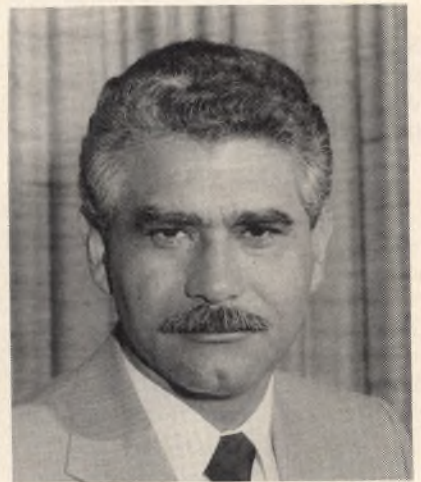


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USX Imports Steel Through Richmond

USS/POSCO contract with PanOcean and Hyundai has Richmond, California's long-dormant Terminal 3 bustling again.

By Richard Knee

The arrival November 24 of the *M/V Pac Noble* was a sight for sore eyes to the brass at the Port of Richmond, Calif., and the operators of Terminal 3 there.

The PanOcean Shipping Company vessel wasn't carrying capital-intensive, containerized cargo, which at one point was the terminal's life blood; it was delivering steel coils moving from South Korea to a steel-processing plant in nearby Pittsburg.

But the vessel was a welcome sight nonetheless; it was the first ship to call at the terminal since Johnson ScanStar took its business to Oakland more than two years earlier. And its arrival marked the startup of what a PanOcean official termed a "semi-liner" service from South Korea to the port.

USX-POSCO Venture. Generating the new business for the terminal is USS/POSCO, a joint venture of USX Corp. (formerly U.S. Steel), and South Korea's Pohang Iron and Steel Co. (POSCO), which is operating the Pittsburg, Calif. plant, where the coils are being processed into tin plate, galvanized sheets and cold-roll sheets, according to T.S. Kim, USS/POSCO marketing VP.

Sharing in the bounty with PanOcean is Hyundai Merchant Marine Corporation. POSCO is guaranteeing a total of at least 40,000 tons of steel coils annually to the carriers, Kim said.

USS/POSCO requires about one million tons a year for its Pittsburg plant and POSCO is shouldering the burden for supplying a sizable chunk of the volume—how much is "hard to say"—because of the steelworkers' strike of USX, Kim said.

Boon for Port. "This is the first time I've seen these cranes in their proper position—loading cargo off a ship," beamed George Pasha III, president of Pasha Group—which co-manages Terminal 3 with Richmond Multi-Terminals (MTR)—at a buffet luncheon in the terminal office, celebrating the arrival of the *Pac Noble*.

A press release issued at the affair quoted Pasha as saying he is "very optimistic about the future of the Port of Richmond. (We) are working hard to attract the kind of cargo that the port ... has demonstrated it can handle with great efficiency."

A big reason for the port's ability to draw the steel shipments is the recent completion of a 40,000-square-foot transit shed at its 21-acre "omni-terminal."

The release describes the shed as "constructed of state-of-the-art materials and sealing systems to insure the ultimate in water-tight storage."

Red to Black? What remains to be seen, however, is whether the new business will enable the port to begin writing its bottom-line figures in black ink for a change.

It will happen, but not right away, predicts port director Michael R. Pow-

ers, who also was at the luncheon.

"We don't expect any dollar changes, but the potential is there," Powers told *American Shipper*. "With a break or two, we can reduce the shortfall."

The shortfall came to \$1.4 million in fiscal 1985-86, which ended June 30, and the blame falls solely onto Terminal 3, which has a \$2.8 million annual debt service, he said. All other operations showed profits, he said.

Unlike most port authorities around the country, Richmond's is not autonomous; it is part of the municipal government and, as such, can supplement its fiscal requirements by dipping into the city treasury.

Competitive Considerations. "Our immediate concentration will be on steel and any other breakbulk (commodities) we can get our teeth into," Powers said.

He expects competition for steel to come from "Oakland predominantly," he said, and privately operated Encinal Terminals in Alameda, abutting Oakland, "is getting some" steel shipments.

Because steel shipments "normally" move through the ports closest to destination or origin, he doesn't see the southern California or Pacific Northwest ports as competitors, he added.

At least for the time being, however, Richmond and Pasha/MTR have pretty much thrown in the towel on the container side, Powers conceded.

"With a one-berth operation, we don't have that good a capability," he said. "I don't see that (container business) in the cards at all."

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Building Low-Cost Bulk Facility

Two Galveston terminal operators are building a railroad loop and underground conveyor system that will move bulk cargo between ship and train moving at 100 feet per minute so the train won't have to stop during loading or unloading.

Gerald Sullivan, co-owner of Texas International Terminals, Inc., said the \$500,000 project he and his partner (and brother), Galveston city councilman John Sullivan, have undertaken will join an existing rail line served by five carriers to their 840-ft.-long dock and it should be in operation in the first quarter of 1987.

The new track will run over a loading and unloading pit 115 feet long and 17 feet deep. When trains go over the pit, two cars at a time will drop their cargo into the pit and it will be conveyed to the dock. If a ship's waiting, "the cargo can be a direct hit, go directly from the train via the conveying system to the hold of the ship," Sullivan said.

The system is built where it's reversible," he added. Prop the conveyor system just above the level of the cars to be loaded "and the cargo can go from the ship into a train on a direct hit basis. Now that is unique to the area. We went around and looked at a lot of different things. We tried to be as innovative as we could from an engineering standpoint and make the system as efficient as we possibly could."

If there's no ship awaiting the cargo, there's a 30-acre area for stockpiling, large enough to hold cargo for more than one ship.

In either case, the train will keep at the rate of about 100 feet a minute, Sullivan said. An entire unit train can come from the main track onto the loop without losing any cars or having the engine unhooked. No alternative engine to hook

up, no winches to move the cars back and forth, no delays costing time and money, Sullivan said.

The deepwater terminal's 118-acre site is large enough to loop the track in a configuration that will not have the train trying to turn at impossible angles, he said. Lack of space makes the arrangement impractical for many other facilities. The addition the Sullivans are making to the existing rail line will be a double loop track, so there will be two tracks on the terminal property. The installation of up to two miles of track will cost \$250,000 to \$300,000, and the under-track unloading system, including the conveyor belt, will cost \$250,000, Sullivan said. Construction started in September. "What we're selling is price and speed and efficiency. That really is what it boils down to. There are other people who can load and unload vessels. We've incorporated these things in an innovative approach and thus are able to save our customers money. Otherwise, there's no reason to come to us over the ports of Houston or New Orleans or Corpus Christi."

Other Sullivan Enterprises. The brothers' Sullivan Enterprises has been the corporate umbrella for a variety of building activities. In the past, they put up everything from housing subdivisions to shopping centers, then became interested in developing their waterfront property. Eight years ago, they built a shallow-water dock mainly for barges on a 65-acre site on the Galveston Ship Channel. That terminal, called Newport, is about a mile east of Texas International Terminals.

Non-ILA Operation. Also at that time, William H. Nelson, president of International Longshoremen's Association (ILA) Local 20 in Galveston said if both ships

called at the public docks instead of the Sullivan terminal, the ILA would work the second ship for free.

The Sullivans have about 20 regular employees who may be longshoremen one day and do other kinds of work the next. The brothers are members of the Association of Independent Stevedores and Terminal Operators and do not hire ILA labor.

That brought them ILA pickets and a demonstration the police had to break up when the Sullivans' employees were working the barite-bearing vessels. The ILA also threatened Councilman John Sullivan with a recall election, but it never took place.

Five trunkline railroads serve the Sullivan terminal—the Southern Pacific, Santa Fe, Missouri Pacific, Burlington Northern and Missouri-Kansas-Texas, also known as the Katy. There's also a short line called the Galveston Houston & Henderson.

"We're not within a belt," Sullivan said. "We're open to reciprocal switching through all these different lines. A train from any of those lines could come in. Going through the belt terminal would add expense. The Galveston Wharves runs the belt railway. We're not in it and we certainly wouldn't want to be."

Cargo Options. The under-track loading system will work for bulk cargo from grain to granite but could be used for bagged and boxed goods and even containers, although the train would have to stop long enough for cranes to hoist the containers from the cars, he said.

"We do look for a good return on this," Sullivan said. "We feel that the speed and efficiency of the terminal will draw customers to us in that it should earn them dispatch" because loading time will be cut and the shippers will be collecting dispatch when the job is done ahead of schedule rather than paying demurrage when loading goes over its allotted time.

Another convenience, he said, is that "we have one price where normally someone shipping a product—for instance, potash—might have a five or six different bills that they'd have to pay. Since we're the terminal operator, we operate the train, we operate the stevedoring, it's just one price which really makes it very easy."

Future Plans. After this project is completed, the next agenda item is more warehouse space. "We have the 100,000 square feet available and I'd like to triple what we have right now," Sullivan said, but "we're not going to go into debt to do those things. We're going to build them as we have the money and the business to do it." ■

West Coast Lumber Barges Return

Service from the Northwest to California is due to start this month. Port of Redwood City, Calif., stands to benefit.
By Richard Knee

Barges are showing signs of making a comeback in the Pacific coastwise lumber trade.

That mode dominated the lumber-moving business for many, many years until late 1960s, when the railroads began pulling it away by offering special rates and contracts. Now, says Fred J. DiPietro, executive director at the Port of Redwood City, Calif., "it's swinging back the other way."

Pope & Talbot's Commitment. The Port of Redwood City, about 25 miles down the western bay shore from San Francisco, stands to be an immediate beneficiary as Pope & Talbot (P&T) begins barging lumber there from the Northwest this month.

The firm is "starting with a commitment of (at least) 35 million board feet" of lumber annually through Redwood City and DiPietro sees "the potential to move up to 50 million board feet a year ... from this one account," he told *American Shipper*. "It starts the ball moving."

P&T will pay the port at least \$150,000 a year in wharfage fees. The amount will rise as the company exceeds the minimum volume. The amount might seem paltry, but it means a lot to a small port such as Redwood City, which has an annual budget of about \$2 million.

"It will help us a great deal," DiPietro remarked.

P&T will bring in "perhaps a barge to a barge and a half" of lumber in each month "in the initial stages," he remarked.

To Port Hueneme Also. He said P&T has a "similar arrangement" with the Port of Hueneme, some 50 miles north of Los Angeles, but officials there could not be reached for confirmation.

Also benefitting from the new business is Sause Brothers, the barge operator.

P&T has "always gone by barge to southern California," said Dan Harper, the firm's Port Gamble, Wash.-based traffic manager.

The company is "re-establishing our softwood lumber distribution center" in the Bay Area because it sees markets opening up in northern and central California," Harper said. P&T chose Redwood City for its shipments because of its location and its ability to handle the freight, he said. He, too, foresees a "resurrection" of the barge lumber trade through Redwood City.

'One or Two Others.' The port has received feelers from "one or two other (lumber) producers," said DiPietro, who declined to give any names.

Lumber-handling facilities at Redwood City give the port a throughput capability of 1 million board feet a year, he said.



DiPietro

The arrangement with P&T takes the port back to its roots in a very big way. Redwood City's was the first Bay Area port and it was through there that went much of the lumber to build the first piers at San Francisco.

Why the Shift Back? After seeing the railroads getting the lion's share of the coastwise lumber business for about a decade and a half, barge operators are enjoying a resurgence in business because, in DiPietro's words, "you can get a hell of a lot more in a barge than ... in a rail car."

Lumber, he noted, moves primarily in "spot shipments."

In P&T's case, he said, there is "an

attempt to create an inventory" in the Bay Area for speedy delivery to northern and central California locales.

Another plus for the port and barge operators is that Leslie Salt sends shipments from Redwood City via barge.

"This," noted DiPietro, "is an opportunity to get two-way trade started again."

At Tenants' 'Mercy.' Because shippers and consignees operate their own terminals at Redwood City, the port is potentially "at the mercy" of their business cycles, DiPietro said.

But the port is able to insulate itself through the inclusion of minimum volume/revenue provisions in its use agreements with its tenants, he stated.

"That keeps us solvent," he remarked.

Among its other tenants are Kaiser Cement, Lone Star Cement, Levins Metals and Pilot Petroleum.

Floating Cement Terminal. The port might get additional business in the spring from a floating terminal, primarily for cement and cement clinker, which would berth off Wharf 1 and could hold up to 45,000 tons of freight at one time.

Other potential commodities there are gypsum, coal, bauxite, silica sand and fertilizers, DiPietro said. ■

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Shipyard Labor Sets 1987 Agenda

The number one priority of the nation's shipbuilding unions continues to be blocking the Reagan Administration's long-standing policy allowing subsidized operators to build in foreign shipyards.

By Tony Beargie

Amidst a whirlwind of anti-Reagan Administration rhetoric, U.S. shipbuilding unions recently voted to embark on a wide-ranging campaign during the upcoming 100th Congressional Session to block the Administration's major maritime policy initiatives and also try for some new victories in other areas such as procurement and cargo preference.

While legislative experts attending the fourth biennial National Shipbuilding Conference hosted by the Metal Trades Department of the AFL-CIO in Washington privately admitted that many of their policy goals will not be achieved during the new Congressional session, they were optimistic over continued success in beating back expected drives by the Administration to enact build-foreign legislation, which over the years has been described as the "cornerstone" of the Reagan team's proposed maritime program.

Indeed, year after year, the shipbuilding unions have scored a number of victories in blocking the Administration's maritime legislative initiatives, including its so-far ill-fated foreign building program that would permit subsidized U.S. flag vessel operators to receive operating subsidy on foreign-built tonnage. It was noted during a legislative workshop that the Administration over the years has not been able to move its foreign building policy out of the first (subcommittee) stage in the legislative process.

Of all the maritime lobbying groups in Washington, the Metal Trades Department appears to be the last to totally hold out against the Administration's foreign building policy. Indeed, a major division between the ship operators (who want the build-foreign authority) and the Seafarers International Union was closed last year when the SIU abandoned its once stalwart opposition to the build-foreign policy. And, while the Shipbuilders Council of America would rather see the Administration's proposal "go away," the lobbying group has recently shown that it is at least willing to discuss the issue and perhaps reach an accommodation with the Administration and the operators.

While other former opponents have changed their position, the Metal Trades Department is not prepared to budge on the issue. Here, the union is not prepared to talk of compromise which could

encompass some sort of "two or three for one" program, which has been put forth in other congressional sessions. Under such an approach, for every two or three vessels built abroad, one or two would have to be constructed in a U.S. shipyard.

"Our people would never go for that in a million years, and if a bill like that comes up we're going to fight the hell out of it," the Metal Trades Department's legislative consultant William G. Phillips told *American Shipper*. A two for one or three for one policy is "a phony issue," Phillips said, because, in his view, U.S. building would not take place.

In any event, the Metal Trades Department is determined again this year to block the foreign building policy, which it continues to view as the Administration's "plan to kill the American

shipbuilding industry."

MTD to Forge Other Alliances. Significantly, the Metal Trades Department will attempt to form coalitions with other industrial groups in an effort to broaden the shipbuilding union's lobbying base.

In other words, it is expected that the union will try to achieve some of their objectives by working with congressional committees that have broader jurisdiction than the traditional House Merchant Marine & Fisheries Committee and the Senate Commerce Committee's Merchant Marine Subcommittee. It is foreseen that the Metal Trades Department will choose trade bills and perhaps other forms of legislation to win a number of their objectives in the 100th Congressional Session.

Following are 18 points that the shipbuilding unions will be working on during the new congressional session:

18 Points in Program

Support

- *Enforcement of the Jones Act*, limiting domestic shipping trades to U.S.-built and manned vessels, while continuing to oppose the 'reflagging' of foreign built ships that would weaken that law.

- *Existing cargo preference laws* for military cargo, and all government-owned and/or government-impelled cargoes, including the new law affecting various types of government surplus farm commodities.

- *Environmental differential pay* for hazardous shipyard jobs.

- *Navy shipbuilding and conversion* program to achieve the goal of a 600-ship fleet needed to strengthen our national defense.

- *Research and development* to modernize ship design and construction technology, to upgrade U.S. shipyard capability.

- *Cargo preference policy* that will assure at least 20 percent of our exports and imports are transported on U.S.-flag vessels.

- *Changes in trade laws* to assure fairness for American workers and industries flooded with "cheap, sweat-shop goods produced by exploited foreign labor" and to assure the preservation of our basic manufacturing capability.

- *Funding for Coast Guard shipbuilding* base at Curtis Bay, Maryland.

- *Compensation to victims of asbestos-related diseases*; to protect workers engaged in the handling of nuclear materials, and in other hazardous workplace environments.

- *Title XI ship construction loan guarantee* law, now being subjected to attack by the Reagan Administration, as well as other proposals to assist the financing of ship construction in U.S. yards.

- *Construction of cruise ships* in U.S. shipyards, creating jobs for shipyard and sea-going maritime labor.

Oppose

- *Build foreign* policy that would permit American ship operators to acquire commercial vessels in foreign yards.

- *Export Alaskan oil to Japan* and other foreign countries.

- *Contracting out of service functions* by Federal agencies that cause the loss of civilian Federal jobs and 'low-ball' bidding procedures in Navy procurement that penalize union workers.

- *Drug testing and polygraph testing* of Federal workers.

- *Trade policies* that have resulted in the largest foreign trade deficit in our history.

- *Defense procurement policies* that waive 'Buy American' laws.

Would Authorize

- *U.S. shipyards to construct warships (including diesel-electric submarines) for foreign countries* when U.S. technology will not be compromised."

Sacramento Hopes to Revive Container Barges

Port's new chief enjoys the legacy left by Melvin Shore. By Richard Kneeb

Dennis Clark has served with the Port of Sacramento for 14 years, all of them directly under Melvin Shore, the recently retired executive director (April 1986 *American Shipper*, page 62). So it's not surprising that the change in administrative chiefs—the port commission announced Clark's appointment formally October 6—will mean few, if any changes in policies or procedures, at least in the short term.

"Mel was here 37 years and I think he set the tone," Clark added. "The port has operated quite well in the past and I intend to keep it operating that way."

"We're not going to change overnight," Clark reiterated. "Even 10 years from now, (bulk) will still be our number one thing, but we'll be expanding into other areas as well."



Clark

Container Barge Service. The "other areas" include the possible resurrection of container-barge service between Sacramento and San Francisco Bay, and non-maritime uses of port-owned land.

The port operated such a service between 1970 and 1975. There is some divergence of opinion on why the service died.

Among the detractors are, predictably, railroad and trucking executives, who term the barge service "too slow." The trip takes about eight hours.

Confronted with that argument, Clark countered that while the drive between Sacramento and San Francisco takes only two hours, containers sit dockside for several hours before being loaded onto a vessel or chassis, whereas they can be transferred directly between vessel and barge.

The reason the barge service died, he asserted, was the lack of sufficient container traffic to support it. Now, he said, Sacramento's industrial and population bases have grown to the extent that a container-barge service might soon be feasible. Just how soon is "hard to predict," he said.

The port administration is also "looking at whether we should run the barge or whether we can entice an entrepreneur to run it for us," he added.

In the meantime, he said, the port is "setting other things into place to support that service." These include a truck-brokerage program, a container-freight

station and a Foreign Trade Zone.

The port applied last March for an FTZ permit and is targeting next March for startup, Clark said. The designated site is in the port-terminal area and the port would operate the FTZ, he said.

Clark is also discussing with local business groups the possibility of establishing expansion sites that would be privately operated, he said.

Non-Maritime Uses. The port could gain additional revenue by leasing out some land for non-maritime uses, Clark said. "We have available to us between 450 and 500 acres" that could go for industrial or recreational purposes, he said. "Sacramento is growing by leaps and bounds and it is a very recreation-oriented community."

Dredging Set for June. The port expects the start in June of dredging that will deepen its draft by five feet, Clark said.

"Our minimum is 30 feet right now, but we sell at 31 feet, six inches," he said.

The port will have to provide easements and rights of way, which will cost about \$16 million, and will have to reimburse the federal government for 25% of the dredging expense, which is estimated at \$74 million, he said.

"We have reserves (of) a couple of million dollars," he said. "It's about an eight-year project, so hopefully we'll be able to earn additional revenues."

The port expects to meet the expenses through current cash on hand, operating profits and "a bonding of some kind," he said. ■



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Bengt Tornqvist

Ship designer made his mark designing the first drive-on car carriers for Olaf Wallenius. Since 1983, he has been seeking a shipowner willing to try out his ideas for a huge modular ship for barges so big they must be floated aboard. By Bruce Vail



"When you are building ships today, you have to look to the future." Bengt Tornqvist applied this maxim 23 years ago when he proposed a vessel specifically to carry automobiles between the U.S. and Europe.

His idea was met with skepticism in 1953 just as his latest proposal has been questioned. Referring back to that time, Tornqvist recalled, "I know the industry was very skeptical. Some of the big lines said, 'Oh, you cannot do this.' The company I was with flatly refused to think about it." That company, Swedish Cargo Lines, is now out of business, but the company that adopted his idea, Wallenius Lines, is now profitably operating a fleet of 25 car carriers.

Wallenius put the first specialized car carriers—the *Rigoletto* and the *Trav-iata*—into the North Atlantic in 1955. They were designed to pass the canals that now form the St. Lawrence Seaway so they could load cargo at the Detroit and Kenosha auto plants. At that time, the maximum length of ships entering the Great Lakes was 215 feet and average car carrying capacity of these ships was 150 autos.

Tornqvist's design permitted the carriage of twice as many cars along with liquid bulk cargoes. "And having twice the capacity of ordinary ships in that particular trade, we could, of course, quote competitive rates. As a result, we got the cargo," he said.

In addition, these were the first ships to apply the Ro/Ro concept in the Atlantic auto trades. "We drove them (cars) aboard rather than lift them. It saved time, it saved damage. But it was amaz-

ing how the other shipping lines were against it. Not by bad reasoning, they just couldn't see it. The technical people said, 'Why should we do it? We have cranes that can lift 25-30 cars an hour,'" Tornqvist recalled. But the Ro/Ro method allowed all the autos to be driven aboard in two and a half to three hours using a gang of 10-12 men.

This improved efficiency was economically compelling, Tornqvist reports, and by 1958-59, Wallenius Lines had captured virtually the entire trade in U.S. automobiles to Europe.

Atlantic Container Line. By the early 1960s, it was becoming clear to forward-thinking shipowners that containerization was the wave of the future. Still working with Olaf Wallenius, Tornqvist designed combined Ro/Ro container-ships for a new consortium of European owners, Atlantic Container Line. (The story of ACL's formation is told by current Wallenius Lines president Arne Koch in the December 1985 issue of *American Shipper*.)

The *Atlantic Song* and *Cinderella* went into service for ACL in 1965. They employed stern loading ramps as an improvement over the side loading ramps used in Tornqvist's earlier designs.

Even at this state, there was resistance from more tradition-minded shipowners. "Just to tell you how very conservative (some shipowners are), we had already ordered the ships (the *Song* and *Cinderella*) and we had the market for cars ... then Swedish American Line said there will never be a market (for containers), and the same with the French. I think it

was Holland America Line first that said, 'We have done a study and we think you are right. The containers are coming.' They joined with Wallenius and started Atlantic Container Line," Tornqvist reports.

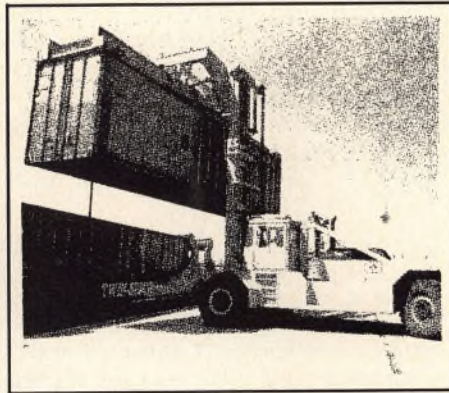
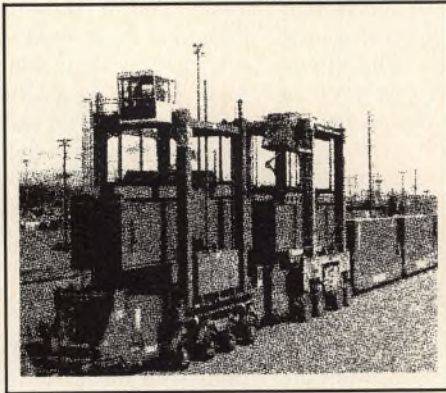
Bigger and Bigger. The design of ACL's ships has been modified and enlarged into today's G-3s. These ships, just completed in the last one to two years, are already slated to go into the shipyard for further expansion. When completed, the stretching of the five vessels will increase their annualized capacity by 24%, according to an ACL spokesman. Space for 350 TEUs, 500 cars and 100 TEUs of Ro/Ro capacity is to be added to the ships. Current maximum TEU capacity is 2,157 with additional space for cars and Ro/Ro cargoes.

On the Pure Car Carrier side, the trend toward ever larger vessels is not to be stopped. The newest Pure Car Carriers, a specialty of the Wallenius fleet, can carry just over 6,000 automobiles. Tornqvist reports there are plans on the drawing boards now for similar vessels with a capacity of 8,000 or more cars.

These might not be needed if Tornqvist's design for giant barge carrying ships is realized. He has drawn up plans for Pure Car Carrier barges of 4,000 auto capacity each. If all six barges in the ship configuration were devoted to cars, then one transatlantic crossing could handle 24,000 cars!

Outsiders. Although he has spent his entire working life in the shipping industry, Tornqvist identifies with outsiders

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who have entered the industry and wrought significant changes. He cites the experience of men like Daniel K. Ludwig, who introduced the supertanker, and Malcom McLean, who introduced both containerization and the super container ship, as that of practical businessmen who applied sound business principles to the shipping industry. They were not blinded by the conventional wisdom that obscures the vision of many long-time shipowners, he said.

As a current example of the conventional wisdom that Tornqvist disdains, he commented that the emphasis put on the high cost of U.S. ocean-going labor is misplaced.

"If you walk on crutches for six months, your own legs will not carry you anymore."

"According to my calculations, if you have a U.S. flag carrier operating at a 60% load factor, your crew costs will be about one percent of the total. So if you have a Chinese crew instead and you cut your labor costs in half, you still are not saving a significant amount. Plus, if you have an American crew, you save on insurance. So this is not the problem," Tornqvist asserted.

Part of the problem, according to

Tornqvist, is the U.S. system of subsidizing shipping companies. "As soon as an industry begins to be subsidized, it is the beginning of the end. History proves that," Tornqvist said. He recalled 20 years ago that Moore-McCormack, a company no longer in the shipping business, sought approval from the Maritime Administration to build Ro/Ros. MarAd said no, insisting on a more conventional vessel design, thus preventing a U.S. company from working on the cutting edge of new ship technology, Tornqvist said. "I think the analogy of crutches is a correct one. If you walk on crutches for six months, your own legs will not carry you anymore."

Tornqvist's Modular Ship

Tornqvist has come up with a design for a vessel capable of carrying eight thousand containers. With two of these vessels, Tornqvist estimates, a shipping company should be able to capture almost half the market.

Jumbo Barge. The basic concept of the design is a refinement of the lighter-boarding-ship (LASH) concept. Capt. Tornqvist dislikes this comparison because the LASH design has not met with the success its originators hoped for. Nevertheless, Tornqvist's design is most easily described as an improvement of the LASH concept.

Tornqvist explained, during an interview with *American Shipper* in his small New York office, that the LASH design, as currently realized, suffers from one major problem. The size of the individual LASH barges is necessarily limited by the size of the on-board crane needed to lift the barges aboard the mother ship. The key to increasing the size of the LASH barges then was to eliminate the need for an on-board crane.

This is done by applying the same concept used in the operation of submersible heavy-lift vessels. Instead of lifting the barges aboard the ship, the cargo hold is lowered below the water level and the barges floated into place. This method allows the size of barges to be increased up to 12,500 deadweight tons, or to that of a 1,000 TEU container-ship.

Like a submersible heavy-lift ship, Tornqvist's design includes large ballast tanks that can be pumped full of sea-water. When the tanks are full, the ship is partially underwater but

still afloat. After the barges are loaded, the seawater is pumped out, lifting the cargo hold back up above the water line. Ballast tanks with a capacity of 180,000 to 230,000 tons are needed to lower and lift a ship of this size, Tornqvist calculates.

Versatility. Loading the ship with containers only, according to Tornqvist's plans, the vessel can carry 8,000 containers. But with a ship of such immense capacity, it is important, Tornqvist said, to have some versatility.

Accordingly, Tornqvist has designed a series of different types of barges that would allow the mother ship to carry containers, Ro/Ro cargoes, breakbulk and bulk. This way, perhaps one-quarter of the mother ship's capacity could be devoted to containers, another one-quarter could be devoted to Ro/Ro, and the remainder could be used for bulk grain, coal or petroleum products. This configuration could be easily modified to conform with trade conditions on eastbound or westbound routes, or to changes in the trade brought about by more general economic conditions, Tornqvist said.

A Problem. Tornqvist has taken the most obvious problem with his new design and done his best to convert it into an asset. This problem is that, for the

purposes of loading and unloading barges on the 1,340-foot-long ship, the vessel requires about 80 feet of water. Even during navigation, the vessel may require a water depth of up to 43 feet, too much for the ship's safe operation in most of the world's harbors.

The ship must be loaded and unloaded in deep water outside the port and barges towed to the docks. Tornqvist estimates the time needed for actual transfer of barges on the mother ship could take as little as eight hours, a dramatic reduction from the time vessels now need for cargo transfers.

The ship itself becomes a kind of self-contained load center. Barges full of containers bound for Philadelphia and Baltimore, for instance, could be off-loaded at New York and towed by coastal tugs to their destination. This makes it possible for the mother ship to make only one call to serve an entire range of ports. Using this method, plus a service speed somewhat higher than that employed by most merchant vessels today, a weekly service between Europe and the East Coast could be maintained by only two mother ships, according to Tornqvist.

Labor Savings. Tornqvist believes this system will produce labor savings for the ship operator.

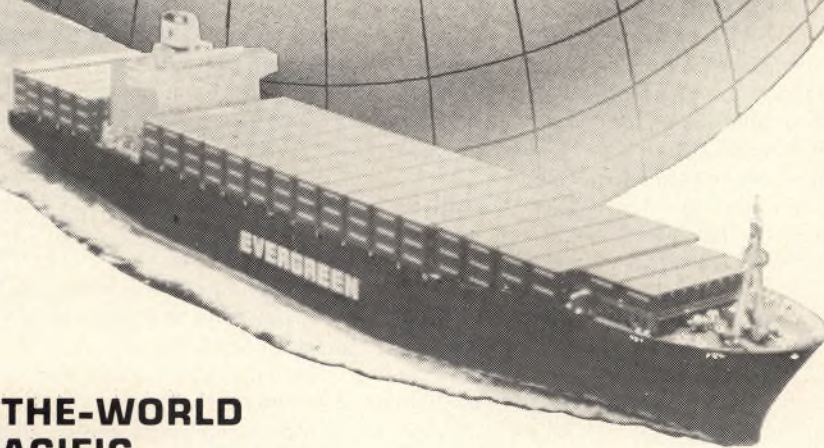
Since the barges will remain in port at least until the next call of a mother ship, they can be unloaded at a less frantic pace, during regular working hours. This is not an inconsiderable savings since the most recent figures for the port of New York/-New Jersey show almost 25% of all hours worked as overtime hours.

Vital Statistics of the Tornqvist Design

Length overall	1,340 feet
Breadth moulded	246 feet
Breadth at bottom	138-190 feet
Draft during navigation	33-43 feet
Draft during loading and unloading operations	69-82 feet
Main machinery - diesels	30,000-120,000 BHP
Speed in service	15-24 knots



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NMC Gets a Preview of '87

MarAd aide says agency will bargain tough on U.S.-flag carriers' rights, especially in Far East countries. Washington lobbyist forecasts new Congress will take hard look at anti-trust issues.
By Richard Knee

Unless the nation's trading partners begin lifting restrictions they have placed on non-home-flag ocean freight carriers, they might soon find their home-flag shipping concerns similarly shackled in the United States, Reginald A. Bourdon, international activities director for the U.S. Maritime Administration, told a National Maritime Council gathering in Long Beach, Calif.

Operating restrictions in Taiwan alone forced U.S.-flag containership lines to spend an extra \$9 million, Bourdon said.

Moreover, noted NMC board chairman R. Kenneth Johns, who is also president of Sea-Land Service, Inc., shippers and consignees have to bear at least part of that cost burden.

"Our inefficiencies can only be recovered through freight rates," Johns said during a question-and-answer session following Bourdon's brief talk.

The roughly 50 shipper and carrier executives at the December 3-4 gathering, which included the NMC Board of Governors' annual meeting, also heard Washington-based lobbyist Frederick L. Shreves predict that the new Congress, with Democrats dominating both houses, will be likely to take a long, hard look at transportation deregulation.

The airlines have historically been the bellwether industry in such matters, Shreves remarked, and that should hold true in developments to come.

Operating Curbs. The operating restrictions that nations such as Taiwan, Japan, Korea and China have enacted are aimed not specifically at U.S.-flag lines but at all non-home-flag carriers, said Bourdon, who was part of a MarAd delegation that traveled to the Far East October 31 to November 19.

MarAd is only now starting to zero in on the restraints, he added, and while they are certainly not limited to the Far East, the agency is focusing its initial efforts there because of the growing importance of trade with that region.

The United States, he declared, will continue to push for reforms in those countries and might resort to placing restrictions on the flag carriers of countries that fail to act on the problems.

"Pure pressure is about the only thing we can really move on right now," he said.

Bourdon listed some of the operating

curbs that Far Eastern countries have in place:

— Taiwan does not permit foreign-flag carriers to serve as their own agents, operate trucks, or own or operate marine terminal equipment.

— South Korea does not allow foreign-flag lines to serve as their own agents, deal directly with ports or deal collectively with Korean officials.

Particularly irksome, he added, is that "we did not obtain ... concessions (from Korean officials) on any of the complaints that we had lodged."

— Japan's closure of ports on Sundays and certain national holidays keeps marine terminal operations shut down 47% of the time and it was only recently that the government there began allowing U.S.-flag carriers to move tobacco leaves there and Japanese cars to this country.

— China and the United States have not renewed the bilateral shipping agreement that expired at the end of 1983.

Hong Kong, by contrast, allows all flag carriers a relatively free hand in their operations—something the U.S. negotiators are emphasizing in trying to sway officials of other countries, Bourdon said.

"American carriers have provided a great deal of investment in the Far East ... and they deserve the opportunity to be able to compete in those countries in the same way that their carriers compete in the United States," he asserted.

Legislative Outlook. "Don't expect any major regulatory legislation in transportation in the 100th Congress."

That prognostication came from Shreves, an attorney with the firm of Garvey, Shubert, Adams & Barer.

At the same time, though, Congress is likely to begin gearing up for action on a number of transportation- and trade-related issues, he said.

Where the former is concerned, "it is very important to follow what happens with the air industry, because what happens there eventually happens to water transportation as well," he commented.

One key, he pointed out, will be the makeup of congressional committees.

The panels will probably go unchanged for the most part in the House of Representatives, where the Democrats have retained control.

But in the Senate, where they regained the control they lost six years ago, the Democrats will also get back committee majorities and chairs.

The bottom line, however, is that

many Democrat-backed issues will run up against a veto from the Republican-controlled White House and the Democrats do not have enough strength in either chamber to pull off an override, Shreves said.

Leadership of the Commerce, Science and Transportation Committee was expected to go to Ernest Hollings (D-South Carolina), whom Shreves described as "not a strong regulator (or) deregulator."

With Edward M. Kennedy (D-Massachusetts) passing up the chair of the Judiciary Committee, the person seen as the likely choice there was Joseph Biden (D-Delaware), who "will be looking for issues" on which to run for president in 1988, Shreves remarked.

One such issue, the lobbyist said, will be whether the Justice Department, under the Reagan administration, is "doing its job" in enforcing what anti-trust restrictions remain for the airline industry, which was largely deregulated in 1978.

Biden will probably conduct a hearing into the matter, Shreves said.

Also on the transportation side of the Senate, Daniel K. Inouye (D-Hawaii) is the likely head of the maritime subcommittee, a choice with which "I think the people in this room will be very happy," the attorney said.

What the 99th Congress did for the maritime industry was "not much," the only major actions being the Water Resources and Port Development Act (HR6) and a provision attached to the tax reform bill to give conference carriers the right of independent action in compensating ocean freight forwarders that also operated as customhouse brokers, he said.

"I do know," he added, "that there are a lot of people who plan to revisit (that) legislation in the 100th Congress."

On trade matters, congressional Democrats will probably initiate a number of studies on barriers that U.S. companies face in foreign markets, Shreves said, and the historical split of Democrats backing and Republicans opposing protectionist legislation will probably continue.

Where transportation-related agencies are concerned, Shreves predicted that the Federal Maritime Commission will increase communication with shippers and carriers on how the 1984 Shipping Act is working in practice.

He also predicted that the Interstate Commerce Commission will approve "merger after merger after merger" for the railroads; and that the Federal Maritime Commission will wind up with oversight of the "domestic non-contiguous" trades, such as those to Alaska, Hawaii and Puerto Rico. ■



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lightweight intumescent coating used by the hydrocarbon processing industry. ASMT composites include boron, silicon carbide and graphite for sporting goods, aircraft and space applications.

Richard Carr, Assistant Manager-International Sales and Marketing, W.R. Grace & Company, in Cambridge, Massachusetts, has been in the international arena for 10 years. W.R. Grace is a multinational company with interests ranging from owning restaurants to producing high-tech biological chemicals. Mr. Carr handles five separate businesses of Grace's construction products division, which supplies specialty materials to business and construction markets worldwide.

Beth Dunlap, Import Manager, Commonwealth Trading, is a licensed customhouse broker. With some 10 years' experience in the field, Ms. Dunlap oversees the importation of ladies apparel from the Far East for distribution to 450 "Hit or Miss" stores nationwide, and to Chadwick's of Boston catalogue division.

Richard G. Meier is Transportation Manager for Parker Brothers, which has its headquarters in Beverly, Massachusetts, and manufacturing facility in Salem, Massachusetts. Mr. Meier has been with the company, one of the leading manufacturers of family and children's games, for 24 years.

Joe Newman handles export sales for Bear Paw Lumber Corporation, Fryeburg, Maine. Bear Paw is a manufacturer and exporter of North American hardwoods with production facilities in Maine, Vermont, Virginia and Sawyerville, Quebec. Their primary export markets are the United Kingdom, Ireland and several other western European countries, as well as a small volume to the Far East.

Herbert Rothstein is Vice President of Production for Reebok International, Ltd., Canton, Massachusetts. Reebok is one of the world's leading designers and distributors of athletic footwear and apparel.



Rothstein

Lou Samia, Assistant Vice President, Letter of Credit and Traffic Department for J. Baker Company. The Hyde Park, Massachusetts, company is a wholesaler and retailer of imported and domestically produced footwear sold in the New England chain "Parade of Stores."

Martin Yasko is Traffic Manager for Childworld/Children's Palace, in Avon, Massachusetts. The company is a major toy importer from the Orient, and operates 135 discount toy and children's furniture stores nationwide.

Also appointed to the New England Region are: **Chester A. Barnaby**, Director of Manufacturing for Sanitoy, Fitchburg, Massachusetts; **Beth Bayuk**, Director, Traffic & Import Administration, College Town, Braintree, Massachusetts; **Paul Higgins**, Traffic Manager for Rich's Department Store, Salem, Massachusetts; **Andrew Jick**, Sales Service Manager, International Forest Products Corporation, Boston; **Annette Kenerley**, Traffic Supervisor for Centronics, Hudson, Massachusetts; **Donald McCormack**, Vice President of the Leavitt Corporation, Everett, Massachusetts; **Alfred W. Peterson**, International Traffic Manager, Polaroid Corporation, Needham Heights, Massachusetts; **Robert Phaneuf**, Director of Traffic for Boliden Metech, Inc., Mapleville, Rhode Island; **Paul Tagliamonti**, Systems Support, Cabot Corporation, Boston, Massachusetts; **Marc Villa**, President of North Atlantic Timber & Shipping Company, Hardwick, Massachusetts; and **Toni Wiley**, Customs/Traffic Supervisor, Stride Rite, Cambridge, Massachusetts.



Porter

Recently appointed to the Central Region is **Karen Porter**, who has been with the company for 15 years. American Rice, a cooperative of 2,300 farmers from Mississippi, Texas and Louisiana, is a major exporter to the Middle East. The co-op is building a rice mill in Freeport, Texas, the only such mill on the waterfront in the United States.

Three additional new Advisors from Houston are: **Charlotte Brewer**, Traffic Manager, Curtis Mathis; **Nancy McWaters**, Traffic Supervisor, Anheuser-Busch, Inc.; and **Fernando Messa**, Traffic Manager for the M.W. Kellogg Company.



LaPorte

The Midwest Region welcomes **V.E. LaPorte**, Export Traffic Manager for Emery Chemicals, Cincinnati. Mr. LaPorte, who joined the company in 1959, has studied transportation at the Universities of Louisville and Cincinnati and Xavier University. Emery Chemicals is a leading manufacturer of specialty chemicals used in many consumer and industrial products and has eight plants in the U.S., Mexico and Canada. Uses for Emery Uncommon Chemicals include synthetic lubricants, cosmetics and toiletries, paints, detergents, rubber goods, plastics, adhesives, textile chemicals and synthetic fabrics. Emery Chemicals is a division of National Distillers and Chemical Corporation.

Also joining the Midwest Region Advisors are **Mary L. Bourbonais**, Traffic Coordinator, International Division, Universal Foods Corporation, Milwaukee; and **John D. Wheat**, Supervisor of International Traffic for Brown & Williamson Tobacco, Louisville, Kentucky.

The Eastern Region welcomes **Clifford D. Wiley, Jr.**, Assistant Vice President of Campus Sportswear Company, Paramus, New Jersey.

Dr. Leslie Kanuk, Marketing Professor at Baruch College in New York City, and former Chair of the Federal Maritime Commission, was the guest speaker at the NMC's Eastern Region meeting in early December. Dr. Kanuk spoke about the ramifications of the Shipping Act of 1984.

"The Shipping Act of 1984 is on the front burners again. But most of the rhetoric we hear today concerns service contracts and Independent Action. In brief, shippers want these provisions expanded and carriers want them eliminated.

"Without getting into the basics and the validity of their separate perspectives, it is useful to go back and read the statute anew. Some of its provisions have taken on added meaning during the almost two and a half years the Act has been in force.

"Take Section 18, for example. Not only is the Federal Maritime Commission required to collect and analyze information concerning the impact of the Act for a period of five years, but it is directed to share this information with the Departments of Transportation and Justice and the Federal Trade Commission. All four agencies are required to submit reports to Congress and to a newly formed Presidential Advisory Commission on Conferences and Ocean Shipping.

"Furthermore, the FMC, the three named agencies, and the Presidential Commission are each asked to address different facets in their review procedures.

"In summary, their review process requires recommendations concerning the need for continued antitrust immunity for conferences and for ports and terminals and the appropriateness of the present tariff filing system. In addition, it is concerned with the impact of the Act on rates, on levels of service, and on whether it has resulted in a reduced regulatory burden."

The West Coast/Middle East-West Asia Rate Agreement is implementing a general rate increase January 1. Rates on both dry and refrigerated goods moving to West Asia are to rise by \$200 per 40-foot container, \$150 per 20-foot container, \$5 per weight or measure, or 10% for cargoes otherwise rated. Rates for freight moving to the Middle East will rise by \$400 per 40-foot container, \$200 per 20-foot container, \$9 per weight or measure, or 10% for cargoes otherwise rated. The rate agreement comprises American President Lines and Maersk Line.

Seapac Services is establishing a computer link with Starcom International's "Passport" ocean-tariff data base, enabling the Oakland-based steamship agency to distribute electronically tariff changes to its entire organization. The hookup is due to come on line early this month.

Merit Steamship Agency has named Southern Steamship Agency as subagent to represent Japan Line at Charleston, South Carolina.

Mediterranean & Middle East:

The West Coast/Middle East and West Asia Rate Agreement will implement a general rate increase, effective January 1. These increases are being taken in conjunction with the general rate recovery program in the transpacific shipping market, said William J. Anderson, agreement administrator. Rates for both dry and refrigerated cargo moving via the West Coast of North America to West Asia will be increased by \$200 per 40-foot container, \$150 per 20-foot container, \$5 per weight or measure, or by 10 percent for cargoes otherwise rated. West Asian destinations served by the agreement include Pakistan, Bangladesh, Burma, Sri Lanka and India. Middle Eastern destinations include Saudi Arabia, the United Arab Emirates, Bahrain, Oman, Qatar, Kuwait, Yemen, Iran and Iraq.

Waterman Steamship appointed Shippside, Inc. as its consolidation agent in Philadelphia. All cargo will be processed through Shippside's receiving station located at Building A, 8801 State Road, Philadelphia, PA 19135, telephone (215) 331-5575.

Istra Line will provide independent container service between New York and Norfolk and the ports of Bari and Venice in Italy. Two Yugoslav-flag vessels, the *M.V. Porer* and the *M.V. Ucka*, each with a capacity of 460 TEUs, will be employed in the service. There will be sailings every 20 days, with the first sailing from New York on November 29, calling Norfolk December 1. Norton Lilly is representing Istra.

Spanish Line calls Hampton Roads in a new weekly service. Until the *Almudena's* call on November 13, Spanish Line had maintained a fortnightly service. In Hampton Roads, the line's vessels call at Portsmouth Marine Terminal. Spanish Line's port rotation in its U.S. East Coast service is now New York, Baltimore and Norfolk. On alternate weeks Boston will be added as the last outbound port.

Spanish Line now serves Marseilles-Fos, France, as part of its Mediterranean service from U.S. North Atlantic and Gulf ports.

Africa:

Nedlloyd Lines will offer a monthly sailing from Abidjan to West Coast of North America. Primary cargoes will be cocoa and coffee. C.F.M. Coers, Nedlloyd Lines region manager for North America, in announcing the new service, noted that it will be included in the homebound leg of Nedlloyd's Pacific Coast to Fremantle, Australia and South Africa services.

Caribbean & Latin America

Naviera Pacifico is offering 2.5% compensation to freight forwarders in its all-water service from the North American West Coast to Venezuela.

Domestic:

American President Companies has launched a twice-weekly double-stack train service between Los Angeles and Memphis, making possible transit times of 16 days from Yokohama or 23 days from Hong Kong to Memphis. Booking is available through APC's domestic transportation subsidiaries, including National Piggyback Services and American President Intermodal Company.

Santa Fe Railway has introduced what it terms a high-speed, low-cost network of train services between 15 "major city pairs" that are connected by regularly scheduled trains six days a week. The paired locations are Denver-Oklahoma City; Denver-Dallas; Denver-Houston; Oklahoma City-Dallas; Oklahoma City-Houston; Dallas-Houston; Kansas City-Denver; Chicago-Denver; Kansas City-Phoenix; Albuquerque-Phoenix; Denver-Los Angeles; and Albuquerque-Los Angeles.

Matson Navigation has named O.K. Trucking Company as its southern California drayage agent. O.K. Trucking operates from Matson's Terminal Island facility at 1001 New Dock.

Hale Container Line, Inc. extended its barge service from Boston to Norfolk and return. The ports of call for the barges are Norfolk, Baltimore, Philadelphia, New Jersey/New York, Providence and Boston. The only barge service transporting cargo up the Chesapeake Bay, Hale Container Line will provide continuous service for all container ship lines. In addition, Hale Container Line combines the fastest growing barge transporter with one of the country's largest trucking firms, Port East Transfer, Inc. for the transportation of containers. Through its ACC affiliation, Hale Container can offer IT custom documentation for barges and trucks.

Sea-Barge Group changed from bi-weekly to weekly vessel calls of the Gulf service of Sea-Barge. The weekly service commences on Friday, December 5, 1986, after four bi-weekly calls of the initial schedule.

Puerto Rico Marine Management, Inc. (PRMMI) announced five sales appointments. Frank J. Spinelli joins PRMMI as manager, special commodities, based in the company's corporate headquarters in Edison, N.J. He has 25 years of sales experience with both steamship and agency companies, most recently with the General Agency Corporation in New York. Angelos P. Orfanos was promoted to regional manager of the Metro New York area after serving as account executive for PRMMI covering Westchester and vicinity. David Profenious was appointed sales representative in the company's New York World Trade Center office and will cover Brooklyn, Queens and the Bronx. He was formerly account manager with U.S. Lines. Thomas Driscoll, named sales representative in PRMMI's Rolling Meadows office in Illinois, will be responsible for sales solicitation in the five-state Midwest region including Iowa, Nebraska, Kansas, Missouri and Illinois. He was formerly an account manager with U.S. Lines in Chicago. Dan Cook has been named sales representative in the Baltimore/Virginia area, based in the company's Baltimore office. He will provide sales coverage for PRMMI in Virginia, Maryland and Washington, D.C. Cook was formerly with Kerr Steamship Company.



Air Cargo

REJECTED PROPOSAL. The Board of Directors of Airborne Freight Corporation rejected a proposal by TNT Limited, an Australian corporation, for the acquisition of 100% of Airborne's outstanding common stock at \$29 per share. In reaching its decision, the board considered that if foreign persons, including TNT, were to own more than 25% of the outstanding common stock of the company, the company would cease to be a citizen of the United States under applicable Federal law and thus could cease to be eligible to continue to operate its airline.

NORTHERN AIR FREIGHT. John S. Diefendorf has been appointed chief operating officer of Northern Air Freight, Inc., of Seattle. Diefendorf will be responsible for the implementation of sales and operations plans and policies for Northern's worldwide air freight business. He is a consultant and private investor who most recently served as vice president of Caddex Corporation, a software development firm.



Diefendorf

investor who most recently served as vice president of Caddex Corporation, a software development firm.

ACQUIRES AMERICAN COURIER. SonicAir Couriers, headquartered in Phoenix, has acquired American Courier of Seattle, Washington. The merger will add offices in Seattle and Portland and will combine SonicAir and American Courier locations in San Francisco, New York and Los Angeles.

SERVICE GUIDE. Burlington Air Express has available a free, four-color service guide for domestic and international shipments. The guide takes shippers step by step through the planning, purchasing and mechanics of air express buying. It also features a "tear-out" rate card. The guide may be obtained at no charge by calling 1-800-CALL-BAX, extension 444.

EMERY SUSPENDS DIVIDEND. Emery Air Freight Corporation in November voted to suspend the company's quarterly dividend of \$.125 per common share following payment of the fourth



ANIMAL EXPORT CENTER. Airborne Express' first livestock shipment was made recently from its new Animal Export Station in Wilmington, Ohio, when 300 cows were transported to Taiwan to be used as breeding stock. Ron Burke, manager of the export station, said that the cows are quarantined for 48 hours prior to export to allow for final inspection, certification and export clearance. The quarantine center and the airport are at the same location, he said, thus lessening the stress on the animals by reducing the time needed to move them from quarantine to the aircraft.

quarter dividend on November 14. John C. Emery, Jr., chairman, commented that the reason for suspension is that the company needs to conserve internally generated funds to assure future growth of the company. Emery also reported that October shipments rose four percent and weight increased eight percent over those of the 1985 period.

SERVICE TO CHINA. Panalpina has opened offices in Shanghai and Guangzhou, following the opening of a branch office in Beijing last May. Panalpina service to the Peoples Republic of China was enhanced by transporting via the Trans-Siberian landbridge, enabling delivery of shipments to interior locations in that country in approximately 35 days.

LAX-BALISERVICE. Effective November 2, Garuda Indonesia began twice-weekly service between Los Angeles and Bali, via Honolulu and Biak, utilizing long-range DC-10-30 aircraft. The airline also opened its North American regional management offices at 3457 Wilshire Boulevard, Los Angeles, California 90010. Departures from Los Angeles International Airport are on Friday and Sunday at 10:30 p.m. Eastbound flights depart Bali Friday and Sunday at 3:05 p.m., arriving Los Angeles at 9:15 p.m. the same day.

AIR-SEA FORWARDERS. On November 1, Air-Sea Forwarders, Inc. relocated their Boston office to 140 Eastern Avenue, Chelsea, Massachusetts 02150, telephone (617) 884-8982.

ROBERT J. CASHMAN. Robert J.

Cashman, a 30-year veteran of the air freight and transportation industry, and vice president of marketing at Burlington Air Express, died November 2 of a heart attack. Prior to joining BAX in 1985, Cashman spent 21 years with the Tiger International organization in key positions including senior vice president of marketing and sales for Halls Motor and senior director of marketing for the Flying Tiger Line.

PANALPINA HEADQUARTERS. The headquarters of Panalpina, Inc. will relocate to Harborside Financial Center in New York, effective late January or early February. The air freight and import facilities will continue to operate from existing locations at JFK International Airport.

DENMARK ADDED TO PANDALINK. Effective November 1, Denmark has been added to the 24 and 48-hour door-to-door delivery service of Pandalink, with shipments consigned via the Brussels hub on an overnight basis.

JAPAN ROUTE APPLICATION. International Parcel Express, Inc., a joint venture formed by DHL Airways and United Parcel Service, announced that four international small package carriers and three shipper organizations have stated their support for the international parcel express application before the DOT for authority to transport small packages between the U.S. and Japan. Under an agreement negotiated between the two countries, the DOT may grant authority to one American airline to carry small packages between the U.S. and Japan starting April 1, 1987.

Washington



HICKEY SPEAKS OUT. Federal Maritime Commission Edward V. Hickey, Jr. recently told a group of maritime attorneys in Maui, Hawaii, that calls for changing key provisions in the 1984 Shipping Act "may be premature." Here, he noted that the number of independent actions and service contract filings have fallen "dramatically," and that a review of the statute at this time may also be "untimely" because of the shipping industry's "severe overtonnaging" problems.

IVANCIE'S VIEW OF ACT. Since the Shipping Act took effect in 1984, "there has been a dramatic realignment, or repositioning among the players in marine transportation," according to Federal Maritime Commission member Francis J. Ivancie. These players "are testing the new Act and the FMC itself," Ivancie said in a recent address before the Transportation Club in San Diego, California.

NEW MANAGING DIRECTOR. Edward Patrick Walsh has assumed the managing directorship of the Federal Maritime Commission, succeeding John E. Cogrove who has retired. Walsh became the agency's new managing director December 1, after having served at the FMC as Director of the Bureau of Investigations. Before his employment at the FMC, Walsh served as the Deputy Assistant Director of the United States Secret Service.

DISCUSSION AGREEMENT FILED. A new discussion agreement covering the trade between the United States and Trinidad is expected to be approved soon by the Federal Maritime Commission. The agreement is between the independent carrier, Trailer Marine Transport, and members of the United States Atlantic and Gulf/Southeastern Conference. The purpose of the agreement, according to the parties, is "to foster commerce, service and stability in the trade while maintaining ... freedom of competitive action."

ILA MASTER AGREEMENT FILED. An agreement on seven master contract issues between the International Longshoremen's Association and a committee

representing the New York Shipping Association, the Carriers Container Council, the JSP Agency, and the Boston Shipping Association has been filed with the Federal Maritime Commission. The term is for three years ending September 30, 1989. For record purposes, the agreement carries FMC number 201-000083-003. For additional information, contact James D. Mooney at the FMC's Office of Carrier Relationships. Mooney's telephone number is (202) 523-5810.

FREIGHT FORWARDER LICENSES REVOKED. The following ocean freight forwarding licenses have been revoked by the Federal Maritime Commission. Reasons for revocation are in brackets. U.S. Express, Inc., JFK Airport, New York (requested revocation voluntarily); Pegasus Air Transport Company and Houston Freight Forwarding, Butler, Maryland (failed to maintain a valid surety bond); Andrews Forwarders, Inc., Norfolk, Nebraska (surrendered license voluntarily); A.F. Burstrom & Son, Inc., Troy, Michigan (failed to maintain a valid surety bond); Kenneth A. Anderson, Jr., Boston (failed to maintain a valid surety bond); Universal Freight Forwarders, Ltd., Seattle, Washington (failed to maintain a valid surety bond); R.E.N. International Services, Los Angeles (surrendered license voluntarily); Consolidated Freightways Export-Import Services, Inc., San Francisco (surrendered license voluntarily); and, Spatzer International, Inc., New York (failed to maintain a valid surety bond).

FORWARDING LICENSE APPLICATIONS. The following persons have filed ocean freight forwarding license applications with the Federal Maritime Commission. The FMC asks persons knowing of any reason why the applicants should not be granted a license, to contact the agency's Office of Freight Forwarders, FMC, 1100 L Street, Northwest, Washington, D.C. 20573. The applicants are: All Freight International, Inc., Seattle, Washington, Li-Ching (Linda) H. Lorentz, President and Henry Leong, Vice President; Techion Industries, Inc., Riverview, Michigan, Joseph A. Angolia, President; Universal Freight Forwarders, Inc., Miami, Robert C. Lopez, President; F.R. Futuro, Inc., Miami, Francisco Rodriguez, President; Trans Am-Asia Corporation dba Import & Export, Los Angeles; James F. Montenegro dba Philippine Shippers, Daly City, California; Rose Moving & Storage Co., Inc., Dearborn, Michigan, Velma Rose, President, Richard Rose, Vice President, and Lola Schorkhuber, Secretary; Capital Shipping Corp., Jersey City, New Jersey, Chang Do Park, President; A.H. Carter & Associates, Seattle,

Alan Harley Carter, President and Joseph John Putich, Jr., Vice President; and, Jon Stuart Korn and Theresa Garde, a partnership, dba Marinus Transportation Services, Fremont, California.

UNFILED AGREEMENTS PROBE. The Federal Maritime Commission has ordered an investigation into the possibility that Yang Ming Marine Transport, Evergreen Marine Corporation and Orient Overseas Container Line are operating in the U.S. foreign trades without filing proper agreements with the regulatory agency. The case is in FMC Docket 86-30. (For details, see story, this issue.)

BATON ROUGE TERMINAL PACT. An agreement establishing Baton Rouge Marine Contractors, Inc. as a marine terminal operator at the Ports of Baton Rouge and New Orleans, both Louisiana, has been filed with the Federal Maritime Commission. Agreement members are Strachan Shipping Company, I.T.O. Corporation, Cooper/T. Smith Stevedoring, Biehl & Company, and Kerr Steamship Co., Inc.

JUDGE DISMISSES COMPLAINT. An FMC administrative law judge dismissed complaints alleging that Korea Shipping Corporation violated the 1984 Shipping Act by refusing to comply with its service contract obligations. The complaining companies, Active International Shippers' Association and Freight Savers Shipping Company withdrew the complaints because settlements have been reached with KSC. The complaints had contended that Korea Shipping refused to provide cargo space and had refused to deal with or subjected complainants to undue prejudice and disadvantage.

TOBIAS PETITION DENIED. FMC has denied Saibot Corporation d/b/a Tobias Christmas Tree's petition which sought a 7.5 percent reduction in Matson Navigation Company's rate levels, instead of the 1.5 percent rollback ordered by the agency last June. Matson had previously been ordered to cut its rates by 1.5 percent following a request to raise its rates by 2.5 percent. Tobias contended that the agency should amend its decision because of "changes in material facts" that occurred after it issued the order. The Commission rejected Tobias' petition, noting that "Unduly protracted rate proceedings are costly to both carrier and shipper interests and impose substantial burdens on the administrative process." It also noted that Tobias failed to show a sufficient change in circumstances to warrant reopening the proceeding.

WILLIAM V. BRIERRE, JR. William V. Brierre, Jr. has been named senior vice president of the Washington division for Lykes Bros. Steamship Company, Inc. Brierre joined the company in 1972 and served in various sales and managerial capacities before joining Lykes' Washington, D.C. office in 1978 as special representative for the New Orleans-based line.

APL GETS GREEN LIGHT. American President Lines has won approval from the Maritime Administration to reconstruct three containerships in a foreign shipyard and still receive operating differential subsidy. Unless the ruling is overturned in court or by the Department of Transportation, APL will have new midbodies put on the *President Lincoln*, *President Monroe*, and *President Washington*. Objections were raised by Sea-Land Service, Inc., the Shipbuilders Council of America, the Seafarers International Union, and the Transportation Institute. Concern over the MarAd approval was also voiced in workshop sessions held at a recent meeting of the Metal Trades Department, AFL-CIO, which represents the nation's shipbuilding unions. (For coverage, see story, this issue.)

OFFICIAL SPEAKS ON VETO. In a recent address before the Chicago Association of Commerce and Industry, deputy maritime administrator for the inland waterways and Great Lakes William Creelman disclaimed suggestions that President Reagan's veto of the Maritime Administration authorization bill was meant to signal bad news on the maritime front as far as policy initiatives go. Noting that President Reagan's action was based on the fact that Congress failed to repeal the Title XI program, Creelman attempted to assure his Chicago audience that "President Reagan and the Administration are not writing off the maritime industry." Rather, Creelman continued, "the President is encouraging the maritime industry to rely on the private credit market, without Federal intervention, as other industries do."

THREE REPORTS AVAILABLE. The Maritime Administration has announced the availability of three reports, namely, the "Relative Cost of Shipbuilding," "Inventory of American Intermodal Equipment, 1986," and "A Report to Congress on the Status of the Public Ports of the United States—1986." Copies of the publications may be obtained from MarAd's Office of External Affairs, Room 7219, 400 Seventh Street, Southwest, Washington, D.C. 20590.

BIDS SOUGHT FOR RRF WORK. The Maritime Administration will be procuring services from the private sector for maintenance, repair, upgrading, activation, and operation of 70 Ready Reserve Force vessels laid up in the National Defense Reserve Fleet in various United States coastal regions. A proposal conference has been set for January 19, 1987, with all proposals due at MarAd by February 12, 1987. "Contract awards normally will be limited to no more than twelve ships per agent."

SCRAPPING REQUESTED. North Central Maritime, Duluth, Minnesota, has asked for Maritime Administration approval to sell two bulk carriers in the 7,000 gross ton range to Corostel Trading, Ltd, Montreal, Quebec, Canada. One of the bulk carriers (*Clarence B. Randall*) was built in 1909 in Cleveland, while the other bulker (*Peter A.B. Widener*) was built in 1906 in Chicago.

TITLE XI RESTRUCTURING. The Maritime Administration has agreed to the restructuring of Title XI debt obligations relating to 21 river barges owned by ML Barge Pool III—Series A, New York City. "The restructuring would defer four principal payments for approximately four years and provide lower interest rates," the Administration said.

SUBSIDIZED VOYAGES. Effective December 29, MarAd will remove existing regulatory restrictions on the operations of subsidized operators in connection with non-subsidized voyages. Existing regulations require the subsidized operator to obtain approval from MarAd before it undertakes a non-subsidy voyage. MarAd said revocation of the regulations "will allow greater operating flexibility for the subsidized liner operator and will result in savings in subsidy costs to the government. ..."

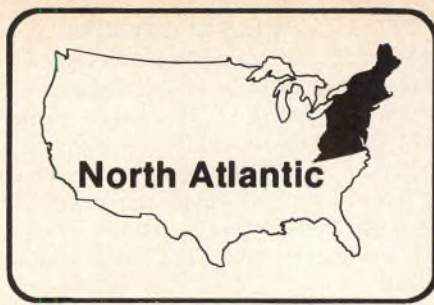
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ACL REEFER BOXES. Atlantic Container Line is increasing its fleet of refrigerated containers by 25% with the delivery of 300 new units ordered December 8 from Graaff GmbH, of Hanover, West Germany, and Thermo-King of the United States. The advanced reefers will cost \$6.9 million. The boxes, which represent a new generation in computer-controlled reefer machinery, will be phased into service over a three-month period starting in March 1987.

TFL DISTRICT SALES. Trans Freight Lines of Wayne, NJ, appointed Eugene Murphree as district sales manager for TFL Sales in Houston. Murphree has 15 years' experience in the shipping industry. He was previously sales manager and customer service manager for steamship agencies in the Gulf area.

PEX MARKETING MANAGER. Oliver Marchand has been named marketing manager for Pacific Europe Express, based in Paris. He replaces Jean-Pierre Dutaut who is moving to New York. Marchand previously worked with French Line and CGM.

CONTAINERIZATION INSTITUTE. A conference sponsored by the Containerization & Intermodal Institute and the Maritime Administration will feature a review of the Shipping Act of 1984. It is scheduled for January 8 at the Downtown Athletic Club in New York. Dr. Leslie Kanuk is chairman of the conference committee. Keynote speaker will be John A. Gaughan, Maritime Administrator. For information, contact Barbara Yeninas, Containerization & Intermodal Institute, (201) 226-0160.

SEA-LAND PRICING. Gary T. Ferrulli and Gerald J. McAviney were named vice presidents, pricing and marketing, for the Americas and Alaska divisions, respectively, for Sea-Land Corporation. Ferrulli is based in the Americas Division headquarters in Iselin, New Jersey, and has worked in the transportation industry for 23 years. Prior to joining Sea-Land in 1977, he was employed with Maersk Line. McAviney is based at Alaska Division headquarters in Seattle and has been the division director of pricing and marketing since 1982.

ZIM PROFITS. Matty Morgenstern, president of Zim Israel Navigation



Company, Ltd., recently visited the United States and spoke to a group of shippers in New York City. He stressed how Zim has managed to post profits over the past two years in spite of the worldwide depression in the shipping industry. Morgenstern has served as president of Zim since 1984. He began his career with Zim as a seaman in 1950 and has held various management positions around the world.

FURNESS-HOULDER & REETH. Furness-Houlder, Ltd. and George P. Reeth, Sr. have formed an insurance and reinsurance brokerage firm under the name of Furness-Houlder & Reeth, Inc. located at 45 John Street, New York, New York, New York 10038, phone (212) 732-3173.

PRESIDENT OF SNAME. Edward J. Campbell, president and CEO of Newport News Shipbuilding, was named president of the Society of Naval Architects and Marine Engineers. He was previously named Virginia's Outstanding Industrialist for 1986.

OPERATOR FOR TERMINAL. The Department of Ports for the City of New York, in response to requests for additional time to prepare a proposal for a new operator for the South Brooklyn Marine Terminal, have extended the deadline for submitting proposals to January 12, 1987, at 12 Noon. For more information, call Ruta Dzenis at (212) 806-6846.

GYPSON WALLBOARD FACILITY. A new gypsum wallboard processing facility is slated for the Port Newark/Elizabeth Port Authority Marine Terminal. The \$34 million facility, to be located in Port Newark, will convert imported raw gypsum into finished wallboard for use in the construction of residential and office buildings. Atlantic Gypsum will construct the new processing plant to be located on a 4.3-acre site.

TRANSPORTATION RESEARCH. The 66th Annual Meeting of the Transportation Research Board (TRB) will be held January 12-15, 1987, in Washington, D.C. at the Shoreham Hotel. Four program sessions pertaining to ports and inland waterways have been scheduled for the meeting. For information, contact Michael Bronzini at (814) 865-8391 or Norman Wolf at (312) 793-5744.

WATERWAYS SEMINAR. The National Waterways Conference, Inc. has scheduled a two-day seminar for January 21-22 at the Capitol Holiday Inn, 550 O Street, S.W., Washington, D.C. Topic of the seminar will be the recently enacted Water Resources Development Act of 1986 which was signed into law in November. For further information, call (202) 296-4415.

FRANK O. BRAYNARD. The recipient of the 1986 Nathaniel Bowditch Maritime Scholar Award is Frank O. Braynard of Sea Cliff, New York, a leading marine historian. A self-taught artist, Braynard did his first sketches of ships at age seven and has since published four sketchbooks. He has written 20 books on maritime history. He currently serves as curator of the American Merchant Marine Museum where he established the National Maritime Hall of Fame in 1982.

ACCOUNT EXECUTIVE. Lisa A. Brady has been named account executive for Hong Kong Islands Line, covering New Jersey for their transpacific and boomerang service. She most recently was employed in sales with Lorus Products.

TRADE ZONE TENANTS. Two new tenants have occupied Foreign Trade Zone No. 23, in Gateway Trade Center in New York. Technical Maintenance Systems, Inc. of Toronto will distribute chemicals for use in industry and the home. Eli Handels GmbH, headquartered in West Germany, will import chain of various sizes for industrial use.

MPA CARGO INCREASE. Marine terminals owned by the Maryland Port Administration in Baltimore reported a 5.5 percent cargo gain in January-September 1986 over the same period last year. A total of 4.6 million tons of cargo was shipped through the port's Dundalk, North Locust Point, South Locust Point and Clinton Street marine terminals for the period, compared to 4.3 million tons last year. Import automobiles jumped 34.2 percent.

FORDEXPORT SUPPLY. The Newark office of the export supply office, Ford Motor Company, has been closed. All functions have been transferred to Detroit, Michigan.

CRANES RERATED. Maryland Port Administration has rerated all 12 container cranes at Baltimore's marine terminals, boosting lift capacity to 45 long tons. The cranes are located at the Dundalk and South Locust Point marine terminal.

CARGO UNDERWRITING. The annual meeting of the American Institute of Marine Underwriters (AIMU) on November 20 featured special reports on ship design and multimodal containers. The meeting also reviewed developments in cargo loss prevention and marine salvage.

SKAARUP MERGER. Skaarup Ship Management Corporation will merge with Skaarup Shipping Corporation of Greenwich, Conn., the latter being the new name of the combined companies. Bent O. Larsen has been named president of the new company; Erik Nilsen-Moe, executive vice president; David D. McCue, vice president; and Frank R. Parker, treasurer.

PHILIP MORRIS FREIGHT. The freight management services division of the Bank of Boston announced that Philip Morris USA has signed a contract providing for the Bank of Boston to furnish pre-audit service for its freight payables. The service will also include management reports.

HAIGHT, GARDNER, POOR. The law firm of Haight, Gardner, Poor & Havens of New York announced the association in the firm of three attorneys. They are Mark C. Flavin, John M. Toriello and Alan D. Reitzfeld.

AGENTS FOR CNAN. Compagnie Nationale Algerienne De Navigation (CNAN) has named East Coast Overseas Corporation in New York as North Atlantic agent. CNAN operates a monthly service between the U.S. East Coast and Gulf to Algeria.

HASMAN & BAXT MOVE. The freight forwarding firm of Hasman & Baxt, Inc. has moved their corporate office from Manhattan to their warehouse location in Edison, New Jersey. Effective December 1, their new address is Raritan Center, Edison, New Jersey.

CIF AGENCIES, INC. Philip A. Russo, formerly associated with CIF Lines, Inc., has formed CIF Agencies, Inc. The new agency represents Nexos Line, Inc. and is located in Suite 2161, One World Trade Center, New York, NY 10048, telephone (212) 534-0115; telex (ITT) 422325; answerback CONT IUA; telefax (212) 524-6902.

WEST AFRICAN PINEAPPLES. On November 3, the vessel *Wittsand* unloaded 28,000 cases of pineapples from West Africa at the Port of Wilmington. Wilmington was chosen by the importers, Tropical Free Trading, Inc., of New Jersey, because of its modern dockside fruit-handling facilities.

ACCOMPANIED BOB HOPE. Conrad Everhard, chairman of Seapac Services, Inc., recently accompanied Bob Hope and cast on a chartered flight from Los Angeles to Papeete, Tahiti. Others in the party included Miss America 1986 - Susan Akin, actress Morgan Brittany, Everhard, actor Jonathan Winters, singer John Denver and actor Howard Keel. Hope flew to Tahiti to film a winter special for NBC, scheduled to air in February 1987, aboard the S.S. *Liberte*. The cruise ship is operated by American Hawaii Cruises and sails the French Polynesian Islands. Everhard is also president and CEO of American Hawaii Cruises.

MATLACK AUTHORITY IN CANADA. Following a year of testimony by shippers and carriers, the Ontario Highway Transport Board has granted Matlack, Inc., of Wilmington, Delaware, a license to transport liquid and dry bulk commodities between the U.S. and the Province of Ontario. During the approval process, Matlack submitted a two-year business plan, stating that it plans to open a facility in Canada and hire the necessary sales, terminal and driver personnel.

TIGHT EMPLOYMENT MARKET. According to a recent survey of the U.S. Merchant Marine Academy class of 1986, 20 percent of its members have already obtained seagoing berths, the same percentage reported at a similar point in time for last year's class. The survey also revealed that 18 percent of the class entered active military duty and 53 percent are employed in shoreside support components of the merchant marine. Members of the Academy's 1986 class and all future graduates are obligated by sail as merchant marine officers, serve on active military duty, or work in the shoreside maritime industry for a period of five years after graduation.

CHEMICAL LEAMAN RESULTS. Chemical Leaman Corporation of Lionville, Penn., reported a 28% increase in third quarter revenues over the same quarter last year. Net earnings were up 161% and earnings per share increased by \$.38 over 1985. S.F. Niness, Jr., chairman of Chemical Leaman, suggested that a smooth integration of the assets of Coastal Tank Lines into Chemical Leaman Tank Lines contributed to the strong earnings.

VOTAINER MANAGER. Michiel Van Ravenstein has been named operations manager with Votainer Consolidation Services (New York). Based in Votainer's Bayonne, NJ office, Van Ravenstein

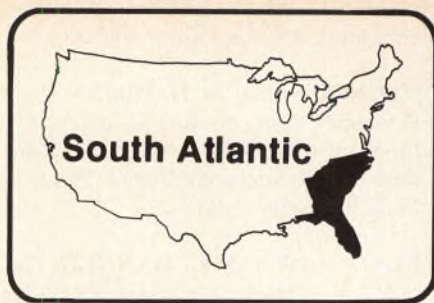
previously served with Votainer's parent company, the Van Ommeren Group.

GAUNCENAMEDCHAIRMAN. Harry P. Gaunce has been elected chairman of the Saint John Port Development Commission. He succeeds Justice Hugh H. McLellan, who resigned.

BRADSHAW NAME CHANGED. Thomas J. Bradshaw & Associates, Ltd. has changed its name to Bradshaw & Associates Limited and has moved its New York office to 61 Broadway, Suite 1650, New York, NY 10006-2701, telephone (212) 797-4900.

FIRST PORT OF CALL. The cargo ship *MV Scol Enterprise* called Merrill's Marine Terminal in Portland on its maiden voyage on October 22, with a hold full of pulp and forest products. The ship arrived in Portland from Sweden where it was built by Bremer Vulkan of West Germany.

SEA-LAND ENGINEERING VP. Eugene M. Kelly has been named group vice president, marine operations and engineering, at Sea-Land Service. He will oversee all the company's vessel operating and maintenance activities and a newly formed consolidated engineering unit. He succeeds Richard T. Soper, who retired from Sea-Land to become president of American Bureau of Shipping. Marcus J. Johnson was named vice president, engineering, reporting to Kelly. He will be responsible for all Sea-Land vessel design and construction engineering, as well as terminal and other land-based engineering activities. "With the continuing growth and change in intermodal cargo volumes and services, the interface between marine and landside operations has become all the more critical," according to Sea-Land Corporation chairman Joseph F. Abely, Jr., who made the announcements. "The integration of our vessel and land engineering functions under a single area of responsibility represents a further step in the restructuring of our principal operating unit begun last spring." Kelly, who joined Sea-Land in 1977, has a BS degree in engineering from the U.S. Coast Guard Academy. He served from 1966-70 as a staff officer in the Merchant Marine Technical Office at Coast Guard headquarters in Washington. He is a member of the ABS panel on container securing systems. Johnson, a 21-year Sea-Land veteran, received a BS degree in marine engineering from the Merchant Marine Academy at Kings Point. He served as an engineering officer in the Merchant Marine and is a member of the Committee on Engineering of the ABS.



MURRAY FINKEL. Murray Finkel, previously vice president/international operations for Shoe Corporation of America, Inc. (SCOA), will be responsible for Transax/RATES sales in the Miami/South Florida region. He attended Cornell University Graduate School of Labor Management and is a member of the National Maritime Council. Leo Woodall, who served for 20 years with Sea-Land Service as regional sales manager for their southeast Pacific, Caribbean and domestic divisions, will concentrate on sales in Atlanta and the southeastern United States.

PROJECT PORT FOR TOYOTA. The Port of Charleston has been named project shipment port for construction materials moving to the new Toyota Manufacturing U.S.A. plant at Georgetown, Kentucky. Toyota executives toured the port with SCSPA executive director W. Don Welch in September. Shipment will move through Charleston over a 12-15 month period beginning in January and will be trucked from Charleston to the Kentucky plant.

NEW YORK MANAGER. Brian Parks has been named New York regional manager for steamship and intermodal sales of the South Carolina State Ports Authority. He will be responsible for soliciting all steamship lines and agents in the New York/New Jersey area.



Parks

GEORGIA FREIGHT BUREAU. John



Youngbeck

Youngbeck, an eight-year veteran of Georgia Freight Bureau, was promoted to vice president, Bureau Services. He will be responsible for all operations and developing new services and expanding existing activities. Youngbeck was previously employed with the Union Pacific Railroad in Milwaukee.

D.J. POWERS PROMOTIONS. The D.J. Powers Company announced the promotion of Kathleen A. Garrett to import manager in their Charleston office. The company has also employed Mark A. Walsh as office manager in Charleston. Garrett has been with the firm since 1983, having previously worked with the Hipage Company. Walsh most recently worked as an import specialist at Logan Airport in Boston. Linda T. Brown has been promoted to assistant import manager in the Savannah office. She began working at D.J. Powers in 1980.

FERNANDINA'S PARTNERSHIP. Van Ommeren USA, the U.S. subsidiary of the Rotterdam-based service group involved in worldwide transportation, storage and trading, entered a 50/50 partnership with the original developers of the Port of Fernandina to operate the port's deepwater facilities, which are under construction. The new company, Nassau Terminals, Florida, U.S.A., is looking at additional reefer outlets and possibly an enlarged reefer warehouse.

OMMEREN PURCHASES NVOCC. Van Ommeren has purchased the Summar Agency, a Charleston-based container consolidator. James E. Cox and Kerry Danson, former Summar owners, will continue to manage the company. Summar now becomes a member company of Van Ommeren's Votainer Con-

solidation Services, which provides NVOCC services in Boston, New York, Chicago, Baltimore, Dallas, Houston, Los Angeles and San Francisco.

CONTAINER PORT. Port Everglades has acquired approximately 36 acres of Intracoastal Waterway land which will allow construction of the port's new container port. The Port Everglades Commission voted to obtain the property from Hollywood, Inc. for \$19.5 million. The land, coupled with 200 acres already under development by the port, will allow for construction of a turning notch and 2,850 linear feet of deepwater berthing. With the projected purchase of six high-speed gantry cranes, the port will be capable of servicing three 900-foot "super ships" simultaneously.

PONCE MARITIME SERVICES, INC. A group of Puerto Rican investors, including former top officials of the Puerto Rico Maritime Shipping Authority (PRMSA), has purchased Carolina Caribbean Carriers-North Carolina (CCC) and renamed the company Ponce Maritime Services, Inc. (PMS). William Zapata, a management consultant in Puerto Rico, is president; Anza Froilan is senior vice president, marketing; Roberto Rodriguez is senior vice president, finance; and Miguel (Mikki) Diaz is senior vice president, operations. Chairman and major stockholder is former PRMSA chairman Eric Gonzalez.

WINSTON-SALEM OFFICE. Vincent S. Cimino has been named sales manager for the Virginia Port Authority's southeast office in Winston-Salem, North Carolina. For 18 years, he held the same position with VPA's northeast office in New York. Cimino began his employment with VPA in 1968.

WAHL AND GABEL. J. Carol McDonald has become a member of the law firm of Wahl and Gabel of Jacksonville, Florida. Wade G. Anderson has become an associate of the firm.

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POLLUTION PROBLEM. BMW of North America has left the Port of Jacksonville because of the fallout damaging new automobiles arriving at the port. The company had been landing up to 16,000 of its German cars at Jacksonville each year, but began diverting its shipments to Houston and New Jersey in November. Several more companies have voiced their concerns about the pollution problem at the port.

SLUDGE TURNED AWAY. Port Canaveral's board of port commissioners rejected by a vote of 5-0 a proposal to bring fertilizer made from municipal sewage sludge into the port. The sludge is a by-product of Philadelphia, Pennsylvania's waste treatment system and would have been barged to Canaveral for use in the Central Florida area as fertilizer for sod farms, cattle ranches and citrus groves. Port Commissioner Sue Ford, who visited Philadelphia with deputy port director Kenneth P. Karpinski to look at the facility which produces the sludge, recommended against the proposal because, "when we look at the dollars and cents involved, it wasn't worth the risk."

TAX MARITIME OFFICERS. The Jacksonville Maritime Association elected a new slate of officers for 1987. John Bradshaw, Carolina Shipping Company, is president; Mark Lindstrom, Stevens Shipping & Terminal Company, is vice president; and Tom Mason, Strachan Shipping Company, is secretary-treasurer.

ARGENTINE TRADE EXHIBITION. The Florida Department of Commerce will host the first Argentine Trade Exhibition—Miami '87 February 24-28, 1987, at the Miami Merchandise Mart Expo Center. The exhibition is sponsored by the government of Argentina and co-sponsored by Dade County, Banco de la Nacion Argentina, Aerolineas Argentinas and Pan American Airways. The exhibition will display pro-

ducts manufactured by more than 100 Argentine exhibitors who are interested in doing business in Florida and the U.S.

LEADERSHIP CONFERENCE. The Second Annual Leadership Conference is scheduled for January 22-24 at the Marriott's Orlando World Center in Orlando, Florida. Guest speakers at the conference include James Barrett Reston, Columnist, *The New York Times*, and Ambassador Clare Boothe Luce. For further information, contact the Florida International Alliance, Suite 401, 400 S. Atlantic Avenue, Ormond Beach, Florida 32074.

MEAT SHIPPED BREAKBULK. Tampa recently received its first major shipment of frozen Australian meat in two years when the *M/V Spring Delight* discharged 398 net tons of the product shipped breakbulk from northern Australia. The shipment marked the first time the Australian Meat and Livestock Corporation had permitted shipment to the United States in any mode other than in refrigerated containers since late 1974. Two more shipments are expected before the end of this season; additional shipments are expected to begin in March at three-week intervals. Harbor-side Refrigerated Services, Inc. served as terminal operator and stevedore for the juice. Eller & Company was the local ship agent.

ORANGE JUICE FROM SANTOS, BRAZIL. Port Manatee, Florida, on Tampa Bay was the first U.S. stop for the *M/V Bebedouro* on its maiden voyage delivering orange juice concentrate from Brazil. The vessel was built and is owned by Cargill. The 11,000 metric ton ship

built in Korea sails under a Liberian flag. It will primarily ship orange juice from Santos, Brazil, to Port Manatee, Newark and Amsterdam. Port Authority chairman Maxine Hooper and port director Claude McGavic presented the ship's officers with a brass welcome plaque, Port Manatee caps and coffee cups. Because of severe winters in the U.S., there has been an increase in shipments of orange juice, orange juice by-products, pineapples and passion fruit from Brazil and parts of Central and South America.

CANAVERAL RECORD YEAR. Port Canaveral's 1986 fiscal year was the best in its history, according to a report by the Canaveral Port Authority. Ship arrivals increased 91% to 890 and ship days on berth increased 66% to 1,983. Cargo tonnage reached 2.32 million tons, a five percent increase over 1984 and 7.7% higher than 1985. Cruise passengers increased more than 300% to 586,243.



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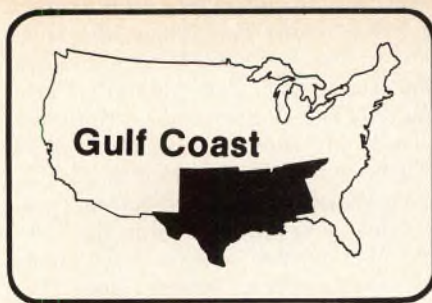
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NEW RO/RO FACILITY. The Port of Beaumont's new Ro/Ro facility, which was completed in March 1986, recently experienced its first service when the Panamanian registry ship *Pan America* loaded a shipment of 30 trailers bound for Puerto Rico. Ryan-Walsh Stevedoring Company, Inc. was responsible for the loading of the trailer/containers onto the ship.

TRADE DEVELOPMENT STAFF. The Port of Houston Authority has added two managers to its trade development staff. Janet Anderson is manager of communications and Robert Armbruster is manager of market research. Anderson was previously advertising supervisor for Houston Lighting & Power. Armbruster was regional sales and marketing manager in Houston for the Gulf division of Barber Steamship Lines.

CHILEAN FRUIT. The Board of Trustees of the Port of Galveston has approved an agreement between Ocean Trade, Ltd. of Santiago, Chile, and the Port of Galveston that will bring Chilean fruit to Galveston during the coming

winter, in exchange for exclusive use of the Pier 15 facility. During 1986, the Ocean Trade consortium brought 9.6 million boxes of Chilean fruit into the United States.

CONTAINER FACILITY. The Port Commissioners of the Port of Corpus Christi, at their November meeting, approved proposed plans for implementation of a container handling facility on Harbor Drive Pad, which is a six-acre caliche pad adjacent to Cargo Dock 14. The tentative construction schedule calls for the work to be completed and the facility in operation by June 1, 1987. The Port Authority will be able to fund the project by drawing from its own revenues and not taxpayers' dollars.

PHELPS, DUNBAR. The Latin American department of the New Orleans-based law firm of Phelps, Dunbar, Marks, Claverie & Sims has signed an agreement for correspondent association with the Mexico City firm of Miranda y Estavillo.

NVOCC INBOUND DIVISION. INTRAN, the Houston-based inbound cargoes division of AQUATRAN, has initiated ocean transportation services to the United States from the Orient and Southeast Asia. Based on agreements with various firms throughout the Orient, INTRAN's new services presently include inbound freight services from Hong Kong, Taiwan, Korea and Singapore.

HOUSTON OPERATIONS DIRECTOR. James E. Baker has been named director of operations for the Port of Houston Authority. He will be in charge of making recommendations for changes and improvements of port facilities and working with customers. He replaces J.R. Curtis, who retired. Before joining the Port Authority, Baker was assistant to the senior vice president of Lykes Lines' West Gulf Division.



Baker

INSURANCE SEMINAR SEPT. The 22nd meeting of the Houston Marine Insurance Seminar will be held September 20-22, 1987 at the Adams Mark Hotel, 2900 Briarpark at Westheimer in Houston. The profits from the seminar will be donated to educational institutions, scholarships and library funds.

NEXOS OWNERS REP. Jose Wolf has been named owners representative for Nexos Line, Inc. in New Orleans. Wolf

has six years' experience in the Central American market, having formerly been employed with Sea Wolf Marine, Inc.

USER CHARGES. In an address in Washington, D.C., Harry N. Cook, president of the National Waterways Conference, told the Warrior-Tombigbee Development Association that the user charge question is not settled in any lasting manner. He also told the audience that he fears that user charges will remain "a controversial and thorny issue in the side of the waterways industry for years to come." He said there had already been Congressional threats to use fuel tax revenues to pay for a portion of shallow-draft navigation maintenance expenditures or the full cost of lock-and-dam replacements. Even though recently enacted legislation doubled the inland navigation fuel tax, the taxes fund only one-half of navigation construction costs.

FTZ STUDY. A feasibility study to determine whether a U.S. FTZ designation for the Brazosport, Texas area would be beneficial to the community, has been completed by International Management Services (IMS) of Houston, Texas. The findings of this study were positive and the Port of Freeport has decided to proceed with a formal FTA Application. Interested parties should contact the Port of Freeport or IMS directly at (713) 672-0200 for information concerning this project.

FREEMPORT ASSISTANT MANAGER. Robert H. Van Borssum has been named assistant general manager of the Port of Freeport. A native of Galveston, Van Borssum was formerly general manager of the Willacy County Navigation District since 1980.

NATIONAL CARGO BUREAU. Captain Zbigniew Lechowski has been named Senior Surveyor with National Cargo Bureau in the Port of Galveston, Texas, succeeding Capt. Benjamin Nieves, who retired. Prior to joining the Bureau, Lechowski served in various sailing capacities with several steamship companies.

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CONSOLIDATES CHARTERING. ConAgra International is consolidating the ship chartering functions of its member companies. ConAgra International companies include Woodward & Dickerson, Peavey Grain Companies, ConAgra Fertilizer Company, Petrosul International Ltd., CTC and Berger and Company. In addition, ConAgra owns 50 percent of Kurt A. Becher, GmbH & Co. KG. Woodward & Dickerson has assumed the role of consolidating the chartering function within the group, under the direction of Mark S. Baylor, vice president, chartering. The worldwide chartering volume of the ConAgra International group exceeds 10 million tons of cargo consisting of grain and meal products, gypsum, fertilizer, sulphur and other bulk commodities. The consolidation process will occur over the next several months.

JACK LOONEY. Penick & Ford, Ltd. of Cedar Rapids, Iowa, the corn wet milling division of PENWEST, has appointed Jack Looney vice president of distribution. He has more than 20 years' experience in the transportation industry, most recently serving as senior assistant vice president of market development at Union Pacific.

INDEPENDENT DOUBLE-STACK. InterDom, Inc., headquartered in the Northeast suburbs of Chicago, will start an independent double-stack rail service between Chicago and Los Angeles beginning in February 1987. The new company will lease stack cars from Union Pacific and make two runs per week, said founder Rick Rudie. Already, InterDom has signed on some customers, including Maytag Company, he said.

CARGO DIVERSION. Members of the Great Lakes International Maritime Association, which represents carriers calling regularly in the Great Lakes region, has initiated talks with the U.S. Department of Transportation on the issue of cargo diversion through Canada. The dialogue, said one of the negotiators, represents "the strongest request ever" by the carriers group to Washington. DOT officials, she said, were "very sympathetic," and more talks are expected.

GREAT LAKES SHIPPING. Members of the Great Lakes Shipping Association, though they had a very good year in the grain trade, saw continued decline in overall cargo movement. The association has recently stepped up efforts to extend the open season for the lakes. Currently, the lakes are open from April 1 to mid-December and the association would like to see it extended two weeks, until December 31.

CONSOLIDATES SALES OFFICE. The Port of New Orleans is consolidating its St. Louis sales operations with the port's Chicago and New Orleans sales office, effective January 1. Areas covered by the St. Louis office include Alaska, California, Colorado, Idaho, Kansas, Hawaii, Missouri, Nevada, Nebraska, Oregon, Oklahoma, Washington, Wyoming, Utah and parts of southern Illinois.

LEP INTERNATIONAL. Andrew C. Hansen has joined LEP International, Inc. in Chicago as manager of the ocean department. He will be responsible for coordinating all ocean export operations in the Chicago area and help in developing LEP's worldwide NVOCC service. He recently left MSAS in Chicago as ocean export manager. He will be assisted by Adrienne C. Graddy, export operations supervisor, who worked at H.L. Ziegler, C.S. Greene & Company, and International Harvester.

TNT NORTH AMERICA. TNT Limited, the Australian-based parent company of TNT North America, announced increased sales and earnings for its first quarter ended September 30. The company posted revenue of \$620 million, an 11 percent increase over the comparable year-ago period. Earnings were \$21.3 million, a 30 percent increase.

SCHOLARSHIP. Michael K. Kolesar was recipient of the first annual scholarship presented by the Pittsburgh Chapter of the American Society of Transportation & Logistics. The scholarship is awarded to a student at Robert Morris College, where Kolesar maintains a 3.33 QPA on a 4 point scale.

DECREASE IN COSTS. The recent passage of H.R. 6, the Water Resources Development Act of 1986, is expected to help sustain the current growth pattern of overseas cargo movements at the Port of Toledo well into the 1990s. Gary L. Failor, seaport director for the port authority, said that when H.R. 6 goes into effect on April 1, 1987, the Great Lakes will be the only one of four coastal ranges in the United States that will realize a decrease in operating costs to shippers.

ACL GEN. MANAGER MIDWEST. Atlantic Container Line announced appointment of Robert W. Schilling as general manager-Midwest, based at the



Schilling

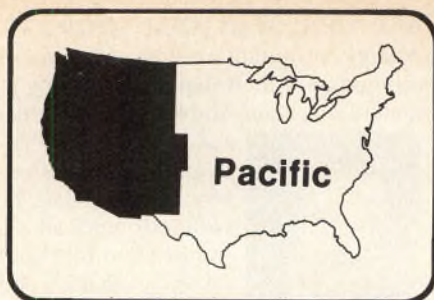
company's new Chicago Intermodal Center. He also will be responsible for all administrative functions involving Atlantic Coast Express (ACE), ACL's trucking subsidiary. Prior to his promotion, Schilling had been general manager-Western sales, also based in Chicago, and with overall sales/marketing responsibilities in an area ranging from Indiana to the West Coast. He started his career with ACL in 1969 as a domestic rail analyst and moved to sales in 1970.

SELF-UNLOADING BARGE. Bay Shipbuilding Corporation of Sturgeon Bay, Wisconsin, has signed a contract with Cement Transit Company of Cleveland, Ohio, for the shortening and conversion of the oil carrier *S/S Amoco Indiana* to a Great Lakes self-unloading cement notch barge. Conversion will start immediately with a summer 1987 delivery scheduled. The vessel was built by Manitowoc Shipbuilding, Inc. of Manitowoc, Wisconsin, in 1937.

ITOFCA DIRECTORS ELECTED. The following officers were elected to the board of ITOFCA, Inc. at the board's annual meeting in Oak Brook, Illinois: Robert H. Curlette, chairman; A.R. Forman, Carrier Corporation, vice chairman; Henry Sarnecke, Nalco Chemical Company, secretary; A.O. Croak, Jr., Owens-Corning Fiberblas Corporation, chairman executive committee; J.R. Hoon, Aluminum Company of America; Vincent J. Deehan, AT&T Technologies; Lou K. Dods, E.I. duPont de Nemours & Company; Joseph J. Zaksas, ITOFCA Consolidators; Charles F. Wilkins, Ford Motor Company.

ITOFCA CONSOLIDATORS. Joseph J. Zaksas has been named general manager of ITOFCA Consolidators, Inc. of Downers Grove, Illinois. Zaksas has many years of experience in finance, marketing and information systems. Len Feldman of Philadelphia was promoted to senior vice president of ITOFCA Consolidators, Inc., where he will be in charge of all regional sales and nationwide operations. Feldman has worked for ITOFCA more than 17 years.

DELTA NU ALPHA VP. Karl Kompare of Honeywell Corp. was elected regional vice president of Delta Nu Alpha's Midwest Region 4.



THINKING ABOUT CHINA? Gregory C. Wajnowski and his law firm, Heller, Ehrman, White and McAuliffe, have done quite a bit of business in China and Taiwan. In addressing a recent dinner meeting of the San Francisco International Managers Association, Wajnowski told his audience that the first thing you need is a very realistic outlook. The Chinese, he said, are "very straightforward" in their dealings but the country has "a legacy of politics being everything." Foreigners "are starting to face the hard realities of doing business there" and, consequently, foreign investment in the PRC has plummeted 20% in the past year, he said.

HIGH-TECH LAND UPROAR. The high-tech industry is in an uproar over the user fee that the U.S. Customs Service began imposing December 1. Because the fee is .02% of cargo value, there is a large dollar impact on importers of high-value goods. A lot of groups are looking at this as a non-tariff barrier.

NCBFAA CONVENTION MARCH 1-6. The National Customs Brokers & Forwarders Association of America (NCBFAA) will hold its annual convention March 1-6 at the Desert Princess Hotel, Palm Springs, California. This year's program will include a full day of workshops featuring top government officials and industry leaders. Customs Commissioner William von Raab will discuss the rapidly changing regulations brokers are faced with as one of the sessions.

MSAS CARGO INTERNATIONAL. McGregor Sea & Air Services, Ltd. has changed its name to MSAS Cargo International, Inc., effective January 1, 1987. In conjunction with its new corporate identity, MSAS has implemented a new development strategy aimed at increasing the company's service. As part of this program, the company has established international service centers at the company's major air cargo gateways worldwide and cargo management centers where ground services will be developed to better meet the needs of local markets.

COMPASS CONTAINER. Klaus D. Koencke has been named president of

Compass Container, Inc. of Oakland and Daniel C. Ryan has been named vice president-finance. Compass is a wholly-owned subsidiary of Clou Container Leasing of Hamburg, West Germany. Effective January 1, Clou has a new office in New York which is headed by Robert W. Joyce, regional director.

PHILIP ORCHARD. Lilly Shipping Agencies has promoted Philip Orchard to the position of manager, outbound documentation and traffic. Orchard was previously assistant manager.

G.I. TRUCKING PRESIDENT. Robert B. Kreuter has been named president of G.I. Trucking Company, Inc. of La Mirada, California, filling the vacancy created by the resignation of Steven K. Bevilaqua. Kreuter joined G.I. Trucking as senior vice president of operations in 1984 after working with Carolina Freight Carriers Corporation as district manager.

RARE DELAHAYE AUTO. Pacific Europe Express recently moved a rare Delahaye automobile from Carmel, California, to Mulhouse, France. What made this shipment so unusual was the fact that arrangements to transport the automobile were made 35 years ago. The circa-1948 Delahaye belongs to Mrs. Diana Marinne, who together with her late husband brought it to the U.S. in 1951, but made provisions for their car to be eventually returned to France. They decided to keep the car, however, and stopped driving it in 1955. Mrs. Marinne accidentally discovered the \$400 return ticket which she had purchased and contacted CGM to determine if it would be honored. She was told the ticket was valid. The auto is now on permanent display in Mulhouse.

APL'S MALAYSIA CHIEF. American President Lines has named Patrick Lim country manager in Malaysia. Based in Kuala Lumpur, Lim is responsible for sales, administration and operations. He joins APL from Boustead Shipping Agencies, agent in Malaysia.



Lim

SEAPAC PROMOTIONS. Seapac Services has promoted three communications systems experts following the installation of \$1 million worth of new computer facilities and equipment at the company's Oakland headquarters. Alex Romanoff assumes the post of assistant general manager of operations and communications; Lawrence Tam is assistant general manager of planning

and development; and Dawn Dodson is assistant manager of user services. All three were on the project team that designed and implemented "TEMPO," Seapac's multimillion dollar, worldwide tracking system.

MERIT GM. Merit Steamship Agency has appointed C.G. Brown general manager of marine operations at the firm's Los Angeles headquarters. He is responsible for stevedoring, terminal and CFS supervision and contracts, and vessel agency operations on the West Coast. He joins Merit from Los Angeles Container Terminal Company, where he was general manager since 1970.



Brown

WELLS LEAVING LA PORT. Jack Wells has announced his departure as Port of Los Angeles deputy executive director, effective the first week in December. He held the post since August 1979. A port statement said he planned to travel and to explore "options that are available to him within the port industry."

MATSON ACCOUNTS REP. Andrew Seretan has joined Matson Agencies as an international accounts representative in Long Beach. He joins Matson from Hanjin Container Line in Los Angeles, where he was a sales representative.

BELLINGHAM AVIATION CHIEF. The Port of Bellingham has named Theodore Soliday director of aviation at Bellingham International Airport. Soliday, 40, has 20 years' experience in aviation, airport planning and working with both private airlines and government aviation agencies, according to port executive director Donald Fleming.

SF IMA OFFICERS. Frank Podesta of Maersk Line Agency is new president of the San Francisco International Managers Association. Other officers for 1987 are Herb Heberling, Heberling International Trade Services, vice president; Martha Woods, Thomas Cook Company, secretary; and Kass Sanginiti, Syntex Corporation, treasurer.

TRADE CENTER TENANT. Ernst & Whinney, a major international accounting firm, will occupy the entire 19th floor of the Phase I Tower at the Greater Los Angeles World Trade Center in Long Beach, officials announced. The floor comprises 17,655 square feet of office space. The tower is ticketed for completion in late summer or early fall of 1988.

HARPER'S PROFIT RISES. Third-quarter net income jumped to \$1,861,000 in 1986 from \$1,266,000 a year earlier, the Harper Group announced. The per-share profit for the period rose to 30 cents from 20 cents. Revenues climbed to \$45,553,000 from \$43,317,000. For the first nine months of 1986, the San Francisco-based firm posted a profit of \$6,749,000, or \$1.08 per share, on revenues of \$140,756,000. A year earlier, Harper gained \$4,975,000, or 80 cents a share, on revenues of \$128,141,000. The company also announced a three-for-two stock split in the form of a 50% common stock dividend. Stock certificates evidencing the additional shares are to be distributed on or about January 5 to shareholders of record on December 2. After the stock split, there will be 9,296,163 shares outstanding of Harper common stock.

APL COMPLETES SHIP ORDERS. American President Lines has completed orders on its 3,900-TEU containerships with the awarding of a contract on two vessels to Bremer Vulcan shipyards in Bremen, West Germany. The carrier earlier ordered three such ships from Howaldtswerke-Deutsche Werft of Kiel, West Germany (December 1986 *American Shipper*, page 59).

PORT SELLS LAND. Portland port commissioners have approved the sale of 6.5 acres of land in the Rivergate Industrial District to Boise Cascade Corporation. The company plans to build a 90,000-sq.-ft. distribution center to employ 15 persons there.

DAR ES SALAAM TO LA. CGM recently carried over 35,000 bags of green coffee through the Port of Long Beach, California. The shipment of 154 containers represented a record coffee shipment for 1986 into the port and a record shipment for CGM. The shipment, originating in Dar es Salaam and transhipped in Le Havre on the PEX vessel *CGM Lorraine*, was the result of a multinational effort involving the CGM network in Tanzania, France, Switzerland and the United States.

MITSUBI CUSTOMER SERVICE. Mitsui O.S.K. Lines (America) Inc. and Williams, Dimond & Company have established a computerized customer service center to serve the needs of MOL customers in the southern California, Arizona and Nevada areas. The center is located at the Williams, Dimond & Company office in Long Beach and is staffed by a team of veteran shipping professionals who can answer any questions or problems concerning Mitsui's worldwide services.



ORANGES FROM JAPAN. USDA inspector Keith Brown examines oranges that arrived in Tacoma in late November for Christmas season. The shipment comprised 26 containers, each carrying about 184,000 oranges. A total of 77 containers of the fruit was ticketed for shipment through Tacoma.

MERIT GENERAL MANAGER. C.G. Brown has been named general manager of Merit Steamship Agency, Inc.'s marine operations, based in the Southern California headquarters. Brown will be in charge of stevedoring, terminal and CFS supervision and contracts, as well as the company's vessel agency operation on the Pacific Coast.

MELVIN SHORE, CONSULTANT. The director of the Port of Sacramento for 23 years, Melvin Shore has set up a private consulting firm at 401 Larch Lane in Sacramento, California, telephone (916) 481-8956. He also served as Chief Engineer for the port for 14 years.

DAMAGE REDUCTION INCENTIVE. A damage reduction incentive program for automobile vessels has been initiated by Stevedoring Services of America at

all West Coast ports. SSA will award a fixed sum of money to the International Longshoremen's and Warehousemen's Union Safety Scholarship Fund for each automobile discharged from a vessel with zero damage. The program became effective November 13 at Seattle, Tacoma, Everett, Vancouver, Portland, Oakland, Los Angeles and Long Beach.

BLUE STAR BOOKINGS. Associated Container Transportation (ACT) has been chosen to represent Blue Star Line in Southern California for all containerized and breakbulk bookings from the Port of Los Angeles. Larry Taylor continues as BSL line manager and he will be based at the ACT Long Beach office.

STEVEDORING SERVICES VP. John P. Ducich has been promoted to vice president of marketing with Stevedoring Services of America. He will be responsible for the marketing of stevedoring services for finished lumber and logs. He was previously general manager for SSA's operations in Coos Bay, Oregon. Dan Neuneker replaced Ducich at Coos Bay.

MIC'S SAFETY RECORD. Marine Terminals Corporation announced zero-damage throughputs on 15 discharges for three customers at the California ports of Benicia and Hueneme during the first three quarters of 1986.

Correction

In discussing American President Lines' plans to build non-Panamax ships in the December edition (page 59), our West Coast reporter estimated the ships' 24-knot service speed would enable them to make 15 or 16 round voyages a year, giving them an annual capacity of 60,800 TEUs each. A source familiar with the plans said this is not so. He stated, "Figure about 10.2 round voyages a year—about the same as APL's C-9s." That puts the annual capacity down to 38,760 TEUs.

EXECUTIVE DIRECTOR

Port of Everett (Washington)

Outstanding opportunity for a successful manager to provide leadership and direction to the port. Port will possibly be home to a thirteen-vessel Navy battle group which will bring about transitional challenges and significant opportunities to develop new port properties.

Previous port experience not necessary, background in industrial/commercial property development and construction preferred, maritime orientation desirable. Candidates must have open team oriented management style and appropriate four-year degree. Send resume and salary history to Cliff Tingley, Jensen Oldani & Associates, Inc., 411 108th Avenue, N.E., Suite 570, Bellevue, WA 98004, (206) 451-3938.

Equipment



Electronic
Terminal
Transport

GECC FINANCING DIVISION. Philip C. Kantz has been named senior vice



Kantz

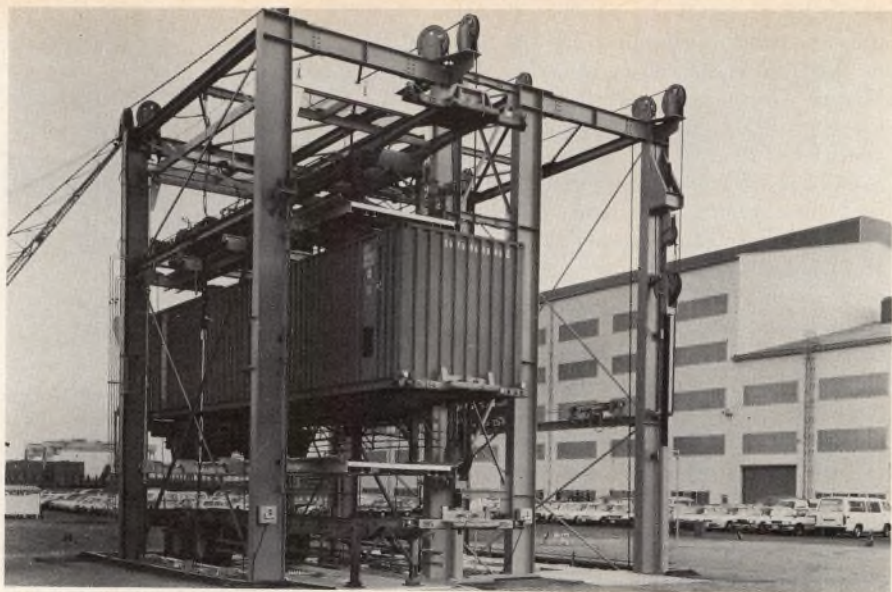
president and general manager of General Electric Credit Corporation's transportation and industrial financing division. He previously worked with Transamerica Corporation, where he was president of the company's domestic leasing subsidiary. Kantz will manage the transportation and industrial financing division of GECC.

RICHARD M. CROWLEY. Richard M. Crowley has been appointed president of Transamerica Transportation Services, Inc., succeeding Philip C. Kantz who joined General Electric Credit Corporation. Crowley also continues as president of a sister company, Transamerica Trailer Services, Inc. Crowley joined the Transamerica group in 1981 after working with Flexi-Van Corporation.



BARGE UNLOADING SYSTEMS. Macawber Engineering, Inc. has been named exclusive sales and manufacturing licensee for the Swedish company, H.W. Carlsen. The license agreement permits MEI to manufacture and sell the Carlsen range of bulk ship and barge unloading systems for which Carlsen are known throughout the world. Macawber will provide ship or barge unloading/reloading and loading systems for all bulk materials throughout North America.

CREATE-A-TARIFF SOFTWARE. A new version of Create-A-Tariff (C-A-T) personal computer software has been introduced by Numerax, Inc., a McGraw-Hill company. C-A-T enables carriers to



MITSUBISHI VERTICAL PARKING SYSTEM FOR CHASSIS. Mitsubishi Heavy Industries, Ltd. recently developed a general-purpose vertical parking system for chassis loaded with marine containers. This vertical system makes effective use of limited parking space at ports, solving a serious problem for the land transportation industry. The new system allows effective transportation of cargoes well-timed to ship arrivals and departures.

electronically create, file and distribute any type of tariff or pricing contract, thereby saving up to 70% of tariff publishing costs. C-A-T combines design, editing and math functions in one package.

IDEALEASE PRESIDENT. William W. Dees has been appointed president of the Idealease Dealer Association of Chicago. He previously held positions as president and CEO of Gelco Truck Leasing and senior vice president and general manager of Ryder. He has more than 24 years of experience in the industry. In addition, Idealease added four regional managers: Steve Cole, Western Region; Dick Cromwell, Southwest Region; Bill Gaffney, Southeast Region; and Thomas Adsit, Mid-Atlantic Region.

FRUEHAUF OPERATIONS. James W. Barber has been named to the position of vice president-



Barber

operations for trailer operations at Fruehauf Corporation. He will be responsible for the Fruehauf Trailer Operations' manufacturing, engineering and purchasing activities. A 30-year veteran with Fruehauf, Barber joined

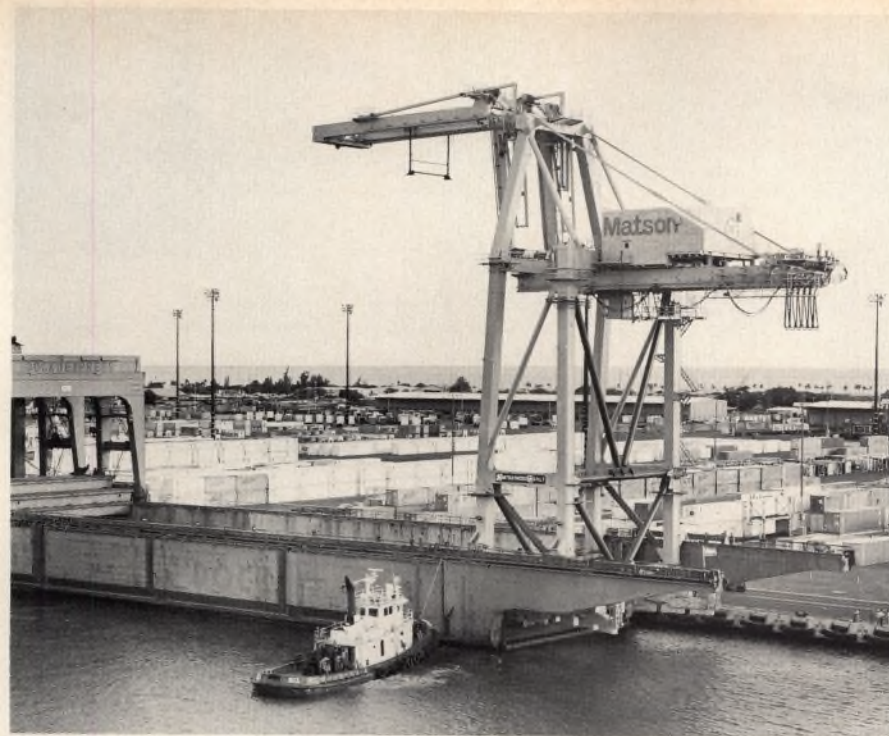
Hobbs Division in 1956 as a sales trainee.

INTERMODAL TANK DEPOTS. Chemical Leaman Container Corporation has opened two intermodal tank depots facilities in New Orleans and Chicago. All facilities are equipped with lift capability and provide a full line of services.

CONTINUOUS UNLOADER. Mitsubishi Heavy Industries, Ltd. has developed a large capacity multi-functional continuous unloader which uses a bucket chain in the excavator section and a bellows-type rubber belt conveyor in the transport section to allow continuous unloading and high speed transportation. In addition to the basic functions of 360 degrees rotation and 180 degrees swing, the bucket chain has such capabilities as vertical digging, side and total excavating, under-deck digging, and dragging. The unloader is sealed from the vertical elevator to the discharging section to prevent air and noise pollution.

CSX CONTAINER FACILITY. CSX Transportation opened its first container maintenance and management facility on November 21 in Jacksonville, Florida. The new facility, located adjacent to the newest terminal in CSX' intermodal network, will provide a full range of container management services and chassis maintenance, inspection, repair and inventorying services. Drayage services will be available.

SETTLEMENT FORMULA USED. Intermodal Transportation Association has expanded its services to provide a suggested formula for the settlement of equipment that is lost, stolen, badly damaged or destroyed or will publish, in behalf of the owner of equipment, the formula used by that company. These services will be provided in administration of the Uniform Intermodal Interchange Agreement (UIIA).



MATSON'S NEW CRANE. New container crane for Matson Navigation's Sand Island Terminal in Honolulu was unloaded from Dutch ship *Dock Express*. The terminal now has five cranes. This one was built by Mitsui Engineering & Shipbuilding at Tamano, Japan, and weighs 760 tons and stands 176 feet high.

CONTAINER SOFTWARE. Logport's Container Handling Storage and Repair Program (C-SHARP) computer software for depot tracking, bookings, reporting, estimating and invoicing, has been sold to repair depots in Oakland, California, and Toronto, Canada. Originally developed for use in Logport yards, the software is now being made available to the industry at large. Further sales in North America and Europe are anticipated before the end of the year.

ITA SPRING MEETING. The Intermodal Transportation Association will hold its Spring Meeting March 24-26, 1987, at the Hyatt Regency Hotel in Long Beach, California. The ITA Fall Conference and Equipment Exhibition entitled "Intermodal Showcase" will be held September 8-11, 1987, at the Penta Hotel, New York, New York. For additional information, contact ITA, 6410 Kenilworth Avenue, Suite 108, Riverdale, Maryland 20737, (301) 864-2661.

INVENTORY MANAGEMENT. PC/AIM, automatic inventory management software from Ann Arbor Computer Division, is a standardized software package that can maintain inventory control, stock location and management information for a conventional warehouse. Designed to run on an

IBM Personal Computer AT or compatible hardware, PC/AIM enables the non-automated warehouse to keep a real-time record of inventory, including the availability and location of products and product identification.

MAXI-CUBE TRAILER. LHT Industries, Inc. recently introduced the Maxi-Cube Trailer, a patented vehicle-combination offering 38% more cubic capacity than a traditional 48-foot 102-inch trailer. Congress has passed legislation which permits the Maxi-Cube Trailer to travel legally in all 50 states. The Maxi-Cube offers 4,825 cubic feet of capacity and 100 feet of door opening width. For further information, call LHT (215) 667-7475.

ELECTRONIC BILL OF LADING. The first such transmission in the industry, a bill of lading was recently electronically transmitted through P-I-E's computer network utilizing a P-I-E developed software package. The bill of lading, which traveled from Racal Milgo, in Sunrise, Florida, to P-I-E's Pompano Beach location, was transmitted by "Shipmaster," a software system which performs transactions previously available only by using an Electronic Data Interchange mainframe-to-mainframe configuration.

TRAILMOBILE BROCHURE. Trailmobile, Inc. has just completed a new 14-page, four-color brochure spotlighting their new reefer trailers. The brochure also features Trailmobile's dry freight vans, such as Hi-Cube, Wedge, Drop Frame, FRP and Doubles, as well as Platform trailers.

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
Richmond	(804) 780-4326

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
Fernandina Beach	(904) 261-0098
Jacksonville	(904) 630-3000
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
Freeport	(409) 233-2667
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



"There, but by the grace of God, go I."

Nothing less than full ships and good rates could have returned the profits United States Lines hoped to achieve with its ambitious Round-the-World intermodal system. A great deal less was necessary, however, to avoid seeking protection under Chapter 11.

Major creditors seemed more than anxious to help Malcom McLean and his staff solve the problem of heavy debt assumed to buy the fleet of 2,241 FEU ships and related shoreside equipment needed to make the system work. The theory was good, provided it could be made to work, and the big lenders went into the deal with their eyes wide open. Key to success was the ability of USL to contract its services to large, multinational industries operating on a global basis, and to serve as a trunk line carrier chartering space to smaller steamship lines and national flag carriers which could provide essential feeder services. And, if the grand plan failed, there was still a potential need for the big ships in the busy Atlantic and Pacific trades—perhaps operating as big ferries space chartering slots to other conference lines, as one individual suggested.

Financial statements for the year 1985 had revealed that despite enormous, highly publicized losses, the company showed a loss of no more than six percent on its gross. That was not bad, considering the enormity of the RTW undertaking. A swing of only six percent could put the company in a break-even position. Personally, I believed that the rate increases set in motion in early 1986 would enable USL to turn the corner and go on to success and avoid the choice of Chapter 11.

McLean Industries' 10-Q statement for the third quarter filed at the Securities and Exchange Commission November 14 reveals just how close McLean came to getting the system under control, cutting losses enough to break even, with the hope of generating profits in the near future.

USL's average revenue per container was, in fact, up 6.4% in the third quarter and operating costs were trimmed as planned by cancellation of certain routes. It could have been enough to save the day—but other factors were at work like a cancer which could not be contained.

The number of container loads was down by 22%. Talk of possible bankruptcy made shippers (especially those overseas) afraid to book with USL and run a risk of having their cargo stranded. The 10-Q aptly referred to the problem as "customer perception of the company's financial position."

To put it another way: "Just as it was getting its affairs in order, United States Lines became another victim of the rumor mill."

The maritime industry has been hit by many bankruptcies during the past decade—too many. But none struck home like the failure of United States Lines. Not only is McLean the father figure of this industry, the name of the line is a matter of pride to every U.S. citizen.

A few carriers will certainly benefit in the short term from the fact USL has withdrawn from certain trades. But this small advantage will quickly disappear if the USL fleet of big ships is dumped back on the market at discounted prices to be manned by low cost crews, further depressing rates around the world.

Other carriers must certainly realize, "There, but by the grace of God, go I."

David A. Howard, Publisher

*There's a faster way
to and from Pacific ports
than OOCL.*

*But it makes your profits
vanish into thin air.*

*Announcing a practical alternative—
OOCL's TransPacific Express Services.*

*OOCL's new TransPacific Express Services
are fast. And cost-effective.*

*Using three direct routes and weekly
fixed-day schedules, we beat most competing
ocean carriers' times by several days.*

*We link the Far East, Mid East, and
Australia with North America like this:*

*Service 1-Pacific Southwest/ Hong Kong/
Taiwan Express*

*Service 2-Pacific Southwest/ Korea/
Japan Express*

*Service 3-Pacific Northwest/ Far East
Express*

*We also get your cargo to and from any
major commercial center in the interior via our
intermodal network, one of the largest and
swiftest-moving anywhere.*

*Important additions to OOCL's compre-
hensive package of quality transportation
services, our new TransPacific Express Services
will mean more to you than time saved.*

*They'll mean dollars earned. And that's
no pie in the sky.*



Dedicated to Quality Service

LET MAERSK LINE KEEP YOU ON TIME



We've all heard it—"Time is Money". And in the transportation industry in particular, this adage is true.

If your cargo is late or its arrival time unreliable, you could lose a valued business relationship that took you lots of time to cultivate. Your products could lose their competitive timing; your commodities could spoil.

The Maersk Line "Just in Time Method" has been a relief to astute traffic managers for over a decade

when Maersk Line led the pack as the first steamship line to introduce fixed day sailings.

Knowing that an up-front cheap rate does not necessarily produce a better bottom line, our Maersk Line customers depend on us to get it there on time.

Let Maersk Line keep you on time...and in the money.

We call it the Maersk difference. You'll call it the finest transportation system in the world.



*A Transportation Tradition
Around the World*