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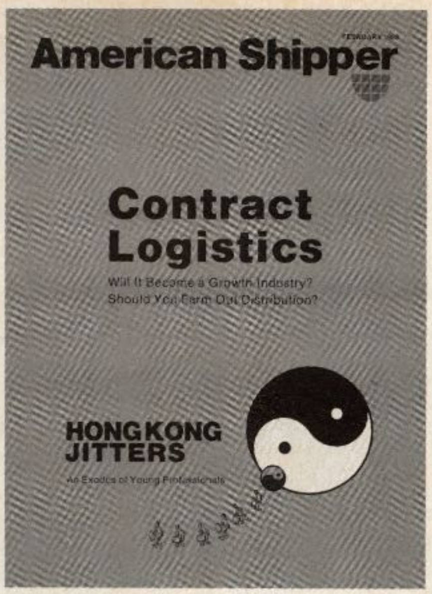

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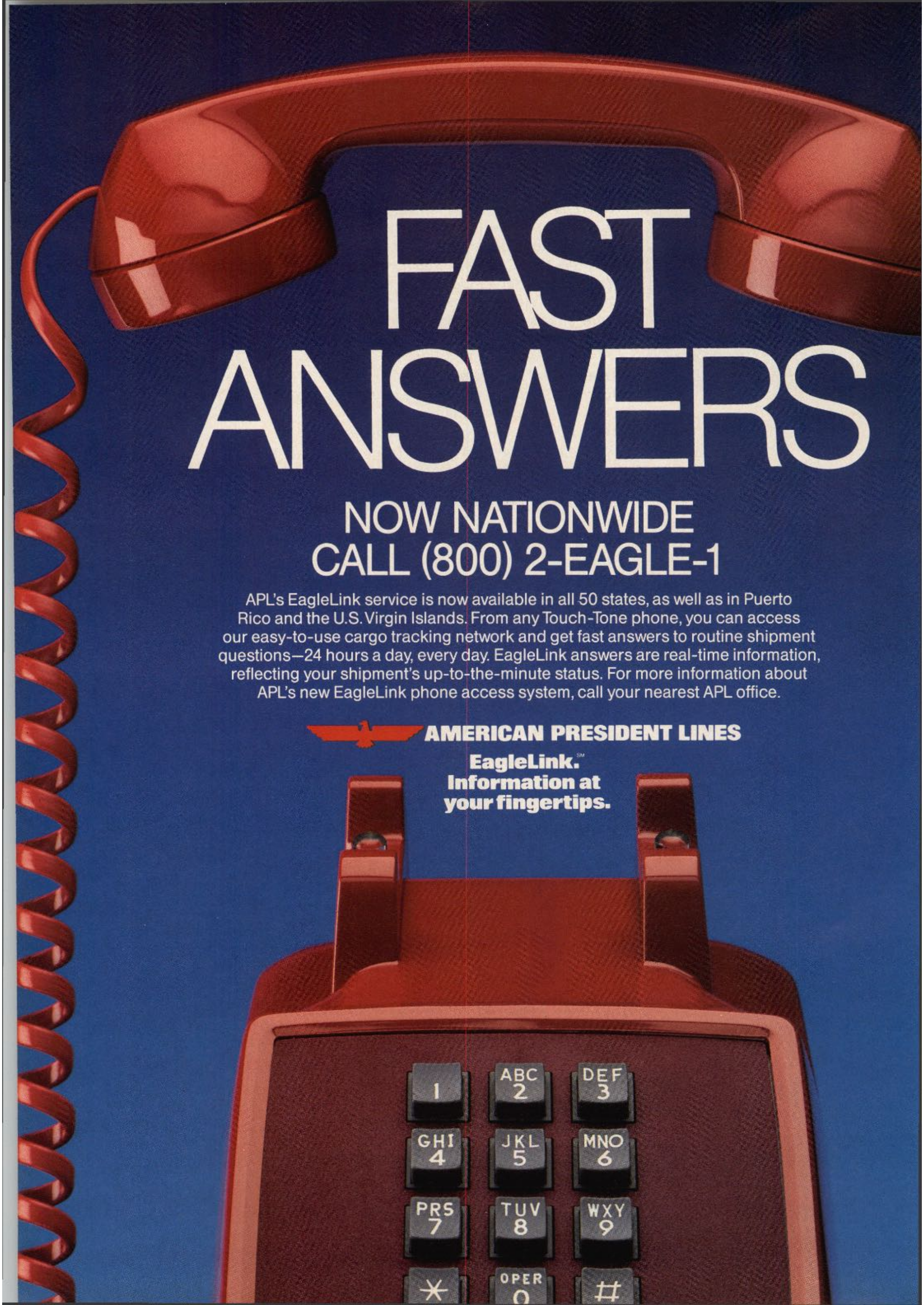

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Washington Report

By Tony Beargie

By the time this issue of "American Shipper" reaches its subscribers, United Shipowners of America (USA) is expected to announce appointment of former United States Lines vice president and general counsel William Verdon to head up the newly-established lobbying organization.

In his position as president of USA, which recently replaced the old Council of American Flag Ship Operators, Verdon will be the chief Washington spokesman for 95 percent of the nation's liner fleet. Indeed, USA members include Sea-Land Service, Inc., American President Lines, Lykes Bros. Steamship Company, Farrell Lines, and Crowley Maritime Corporation.

Since August, Verdon had been a partner in the Morristown, New Jersey-based law firm of Ribis, Graham, Verdon, and Curtin.

Verdon was chosen to head USA at a December 16 meeting held at the organization's Washington headquarters. It is understood that the USA president will be paid an annual salary of $250,000.

★ ★ ★ ★ ★ ★

Shippers for Competitive Ocean Transportation (SCOT), affiliate of the Chemical Manufacturers Association which has scored a number of victories in fighting protectionism in ocean shipping, is considering expanding its organization both from a membership and from an issue perspective.

Apparently, SCOT is hoping to bring in a number of shippers who for years were affiliated with the National Maritime Council which closed down operations at the end of 1987.

It is understood that SCOT has scheduled a mid-January meeting to discuss the expansion possibilities. SCOT considered such an expansion one year ago but deferred the idea for one year.

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Just before Congress adjourned for the holiday recess, the Shipbuilders Council of America scored a major success in getting the long-sought after build and charter policy nailed down in law.

Thanks to the work of the shipbuilding lobby, Sen. Ted Stevens (R-AK) and Sen. Pete Wilson (R-CA), build and charter was added on to the Department of Defense authorization bill and is also contained in the continuing resolution that funds the Defense Department for fiscal year 1988. The policy cleared Congress December 21, just one day before adjournment.

The inclusion of build and charter in the authorization bill and the continuing resolution is viewed as a major breakthrough for the shipbuilding industry for, after many years of trying, this marks Congressional acceptance of the policy.

The law now permits the Navy to enter into agreements to build and charter up to six clean product tankers "of adequate cargo capacity to replace the Sea-Lift-class tankers now in service." Under the law, the tankers must be built in U.S. shipyards.

In a related development, SCA president John Stocker and the Council's executive committee hosted a dinner meeting at the Jefferson Hotel in Washington with Undersecretary of the Navy H. Lawrence Garrett, III, to discuss funding of the recently-sanctioned build and charter program. One of the objectives of the meeting was to obtain Garrett's support for funding the program.

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"The shipbuilding package will be on one of the first bills to be dropped in the hopper" when Congress returns to Washington January 25, a congressional source said.

The package will include a detailed build and charter program, and a phase-in building program for non-defense government ship construction.

The legislation will contain a five-year phase in period covering ships to be constructed in U.S. commercial yards for government agencies. Envisioned under the program are research vessels, coast guard cutters, and the like.

Funds for the program would not come out of the Maritime Administration's budget, but rather from the budgets of the respective government agencies or departments for which the vessels are built.

It has been confirmed that House Merchant Marine & Fisheries Committee chairman Walter B. Jones (D-NC), is firmly committed to guiding a shipbuilding package through Congress during this session.

And, while Rep. Jones wants to see an operating-differential-subsidy/trade route reform bill enacted, it was stated in no uncertain terms that he will not push this "at the expense of the shipbuilding industry."

The two sectors of the maritime industry (shipbuilding and ship operating) will be given equal consideration, it was indicated. "The two have been tied together for so long, that by dividing them one runs the risk of ignoring one of the two industries. And we don't want to do that," a congressional source said.

It was noted that from a purely political standpoint, "the shipbuilding lobby and their allied industries have more clout" in Congress than do the vessel operators. Furthermore, it was pointed out that the President's Commission on Merchant Marine and Defense (commonly referred to as the Bennett Commission) devoted as much time to the shipbuilding industry problems as it did to the ship operating problems. It was noted that the findings of the Merchant Marine and Defense Commission will play a big role in the upcoming deliberations on maritime legislation.

(For coverage of the Commission's report, see the December 1987 issue of *American Shipper*, page 64.) As far as ODS and Trade Route reform issues go, the Committee already has a sufficient number of bills up on Capitol Hill to get started in this area. Thus, there does not appear to be any new big pieces of legislation in the wings.

Rather it is expected that Committee members will try to piece together a package from the four major bills that have been circulating in the House and Senate over the past several months. The legislation includes the Administration's bill (which has very little support among Committee members), the basic "barebones" legislation which has the backing of the three largest liner operators, and the creative so-called "Mast" bill which stresses the sealift potential of the merchant marine. (For coverage, see the June 1987 issue of *American Shipper*, page 39, and the January 1988 issue, pages 18 and 20.

House hearings on the maritime bills are not expected to begin until mid- to late February.

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Surprisingly, the U.S. Customs Service has not received any major complaints regarding the deferral of the Harmonized Tariff System.

However, it is understood that many members of the House Merchant Marine & Fisheries Committee were disappointed that the January 1 date was not met. "I know for a fact that the Committee was expecting this (HS) to come into force on January 1," a legislative source said.

In any event, the U.S. Customs Service is prepared to go forward with HS whenever Congress gives the go-ahead (by passing the trade bill, or by enacting special legislation). "The Customs Service is prepared. Our automated systems have been converted," said Frank Principe, the Customs Service's director of inspections.

The trade bill (which contains HS) is now targeted for completion by the House in late February and by the Senate in late March. Thus, the new unofficial target date for HS has been moved up to April 1. If this does not work out, another date being bandied about is January 1, 1989.

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Be on the look-out for an opinion from the U.S. Comptroller General Charles A. Bowsher regarding the legality of claims by the Maritime Administration that tonnage in the Effective U.S. Controlled Fleet are requisitionable in times of war or national emergency.

At the urging of the AFL-CIO Maritime Committee's executive director Talmage E. Simpkins, Senate Commerce, Science and Transportation Committee chairman Ernest F. Hollings has asked Bowsher for a legal opinion on what is becoming an increasingly sensitive issue in Washington.

The issue found its way into a letter sent by Simpkins to the Maritime Administration opposing a proposal to bring a certain number of Bahamian-registered vessels under the agency's war risk insurance program. But, what really stirred up Simpkins was a request that MarAd consider bringing all effective controlled shipping under the program. The latter was put forth by Philip Loree of the Federation of American Controlled Shipping. (See related story, page 36.)

In his letter, Simpkins candidly accused MarAd of promoting what he calls "the runaway-flag merchant marine."

Without question, the FACS group was the target of Simpkins' letter. "Being aware, as I am, of the Maritime Administration's continued promotion of the runaway-flag merchant marine, I am then concerned and suspicious of the request filed by Phil Loree of the Federation of American Controlled Shipping," the AFL-CIO Maritime Committee's executive director said.

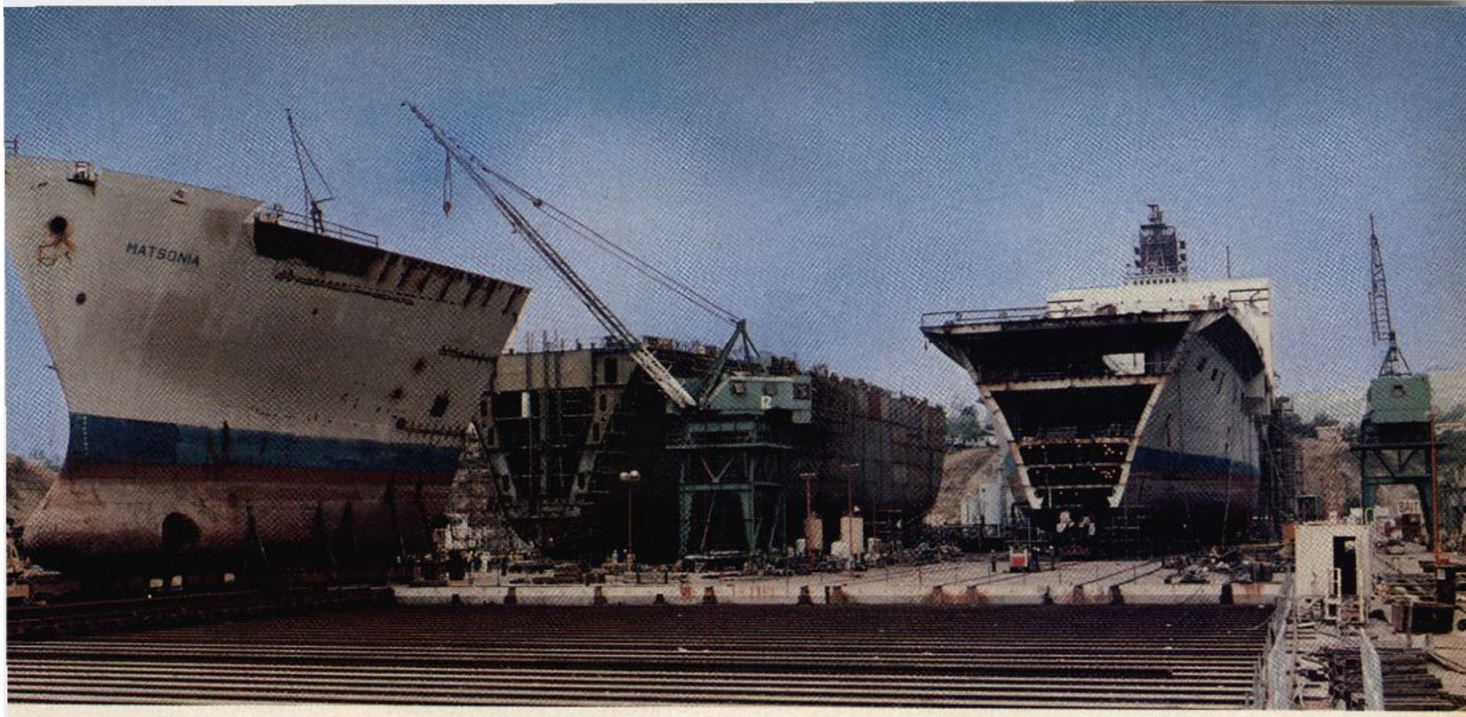
"The vessels owned by the FACS organization are not requisitionable under any of our merchant marine acts," Simpkins maintained. This is the same verdict Simpkins is hoping for from the Comptroller General. An opinion is expected in the very near future.

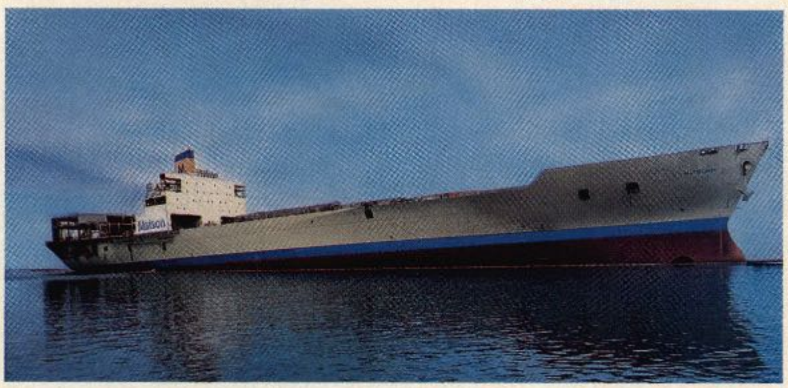
Simpkins further tied in increased insurance rates for Persian Gulf operations and the request to bring in more ships under the government's war risk insurance program. The two developments coming together were not accidental, Simpkins said.

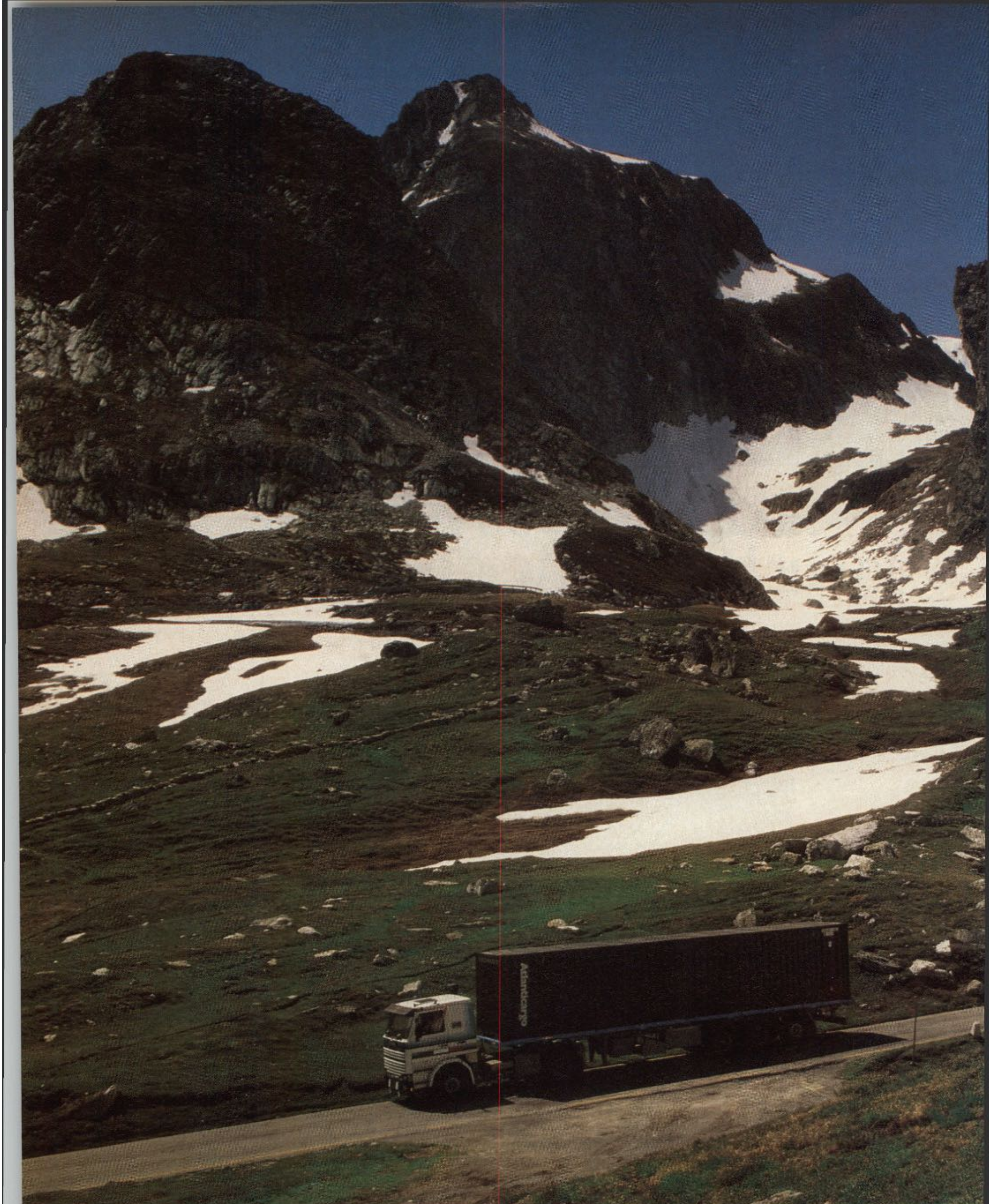
"The increased insurance rates in the Persian Gulf and the request by the runaways for an extended application of the war risk insurance, in my opinion, is no accident," Simpkins said in a letter sent to Murray A. Bloom, who heads up MarAd's Division of Maritime Aids. "The Navy has refused to bail them out in the Persian Gulf because these vessels are not American flag. So, now they come to the Maritime Administration asking you to do what the Defense Department would not do."

Carbon copies of Simpkins letter were sent to House Merchant Marine and Fisheries Committee chairman Walter B. Jones and to Senate Merchant Marine Subcommittee chairman John Breaux.

Simpkins scored a little-noticed victory during the closing days of the last Congressional session when Congress passed the Commercial Fishing Industry Vessel Anti-Reflagging Act of 1987. The bill contains a provision that requires U.S. manning on not only fishing industry vessels, but *all* U.S. flag vessels. Thus, if signed by the President, U.S. manning requirements would apply to the tankers flying the stars and stripes in the Persian Gulf.







Disposition of SP Railroad Is Far From Settled

Rejected bidders raise a storm of objections over Santa Fe Southern Pacific's purchase agreement with Rio Grande; Olympia & York increases its SFSP holdings; Henley claims the wrong railroad is being sold and hints at an unfriendly takeover. By Elizabeth Canna

The swords have been drawn over Santa Fe Southern Pacific (SFSP) Corporation's decision to sell its Southern Pacific Transportation Company to Rio Grande Industries (DRGW) for $1.8 billion.

The purchase agreement, announced on December 28, has been termed a "bankruptcy auction" by SFSP's largest shareholder, and possible raider, the Henley Group; while Kansas City Southern Industries, Inc. and the Railway Labor Executives' Association (RLEA) have both vowed to aggressively follow up on their own purchase offers.

The DRGW offer of $1.8 billion consists of $1.02 billion in cash plus the outstanding Southern Pacific debt.

Kansas City, who considers its offer "financially superior by any fair measure" to DRGW's, is standing by its proposal of $1 billion in cash, $800 million in debt assumption, and $250 million in participating junior subordinated debentures with a minimum rate of 6.9%.

RLEA is continuing to pursue its October 15 bid which includes $750 million in cash, debt assumption and "cost savings actions that only employees are in a position to offer ... [which] totals $3.6 billion," according to RLEA.

By coming to terms with DRGW, SFSP set the wheels in motion to satisfy an Interstate Commerce Commission (ICC) mandate to divest itself of one of its two railroads. It is more than four years since SFSP attempted to merge Southern Pacific with the Atchison, Topeka and Santa Fe Railway and was turned down by the ICC.

On the day before the announcement of the purchase agreement, SFSP stock closed at 49 on the New York Exchange. The day following the announcement, the stock closed at 46 7/8.

In his statement on the agreement, SFSP chief executive Robert D. Krebs said that DRGW had agreed to comply with all existing Southern Pacific labor contracts.

Although he also said that Santa Fe Railway will not seek trackage rights in connection with the DRGW agreement, the company is reserving the right to seek protective conditions regarding applications that may be made by other parties.

Who's On First? There surely has been no shortage of other parties in this picaresque saga where a scorecard would be helpful in keeping up with the players.

Most vocal has been the Henley Group, a California-based Allied Signal spinoff with interests in manufacturing, real estate, engineering and transportation. (Henley owns 10% of American President Companies).

Even before SFSP made public its agreement with DRGW, Henley chairman Michael Dingman had stated, "As the largest shareholder of Santa Fe Southern Pacific Corporation, we believe the company is selling the wrong railroad."

It is Henley's contention that the shareholders would be better served by SFSP selling the more profitable Atchison, Topeka and Santa Fe Railway Company, using the proceeds to make improvements at Southern Pacific.

During the first nine months of 1987, SFSP reported operating income of $65.5 billion from Southern Pacific and $145.9 billion from Santa Fe.

When the sale was made public, Henley responded by stating, "We reiterate our position that Santa Fe Southern Pacific would be better served by the sale or spinoff of the Atchison, Topeka and Santa Fe Railway.... The unwise decision to sell the Southern Pacific in what amounts to a bankruptcy auction deprives the shareholders of an opportunity to participate in the value enhancement that would result from an improved Southern Pacific."

It had been reported that when Henley, who until early December had been holding takeover discussions with SFSP, first became interested in the railroad holding company, it was the Southern Pacific real estate holdings that were of primary interest to them. This would

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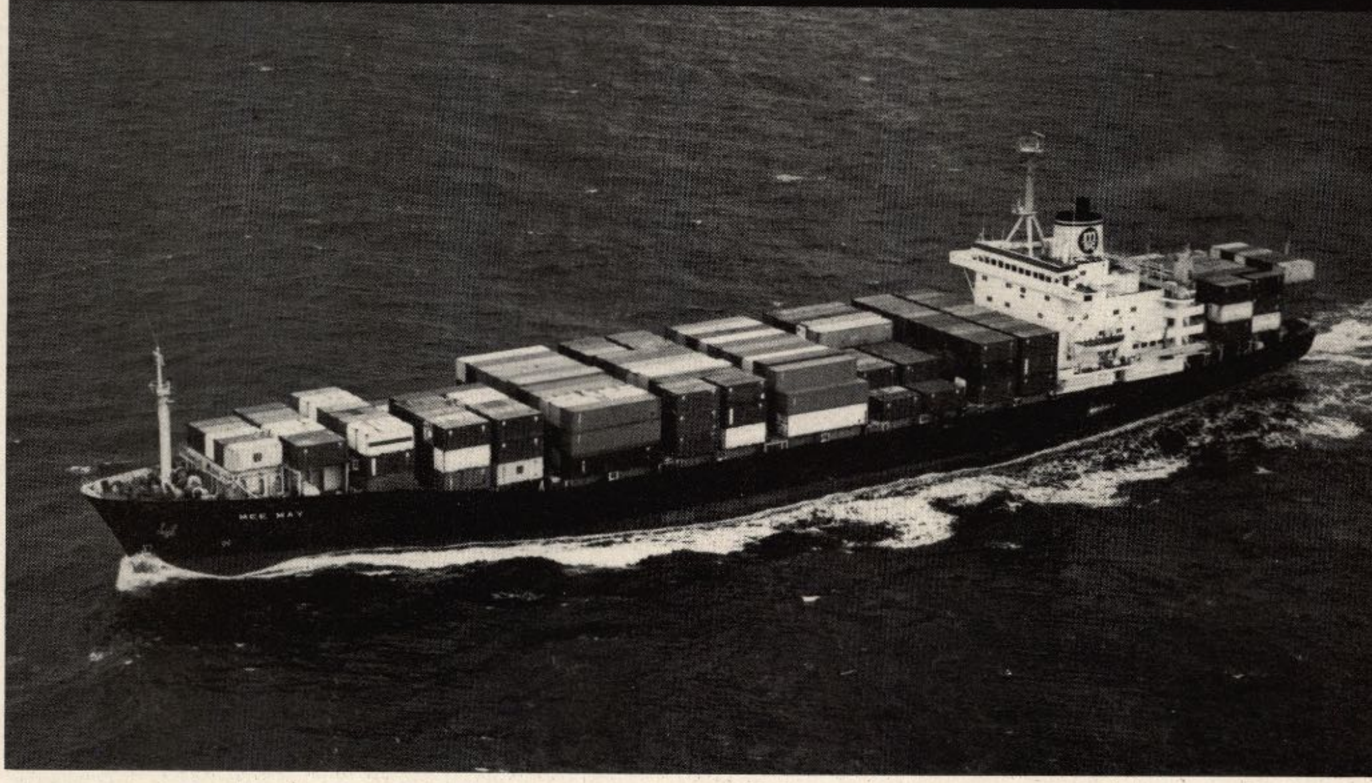

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suggest another explanation for their desire to keep Southern Pacific.

Also outspoken in their opposition to the sale have been Kansas City and the RLEA.

Kansas City president and CEO Landon H. Rowland said, "It is very perplexing that Santa Fe Southern Pacific would choose an offer that is not only lower but also presents a potentially less certain and lengthier regulatory process, unless there are additional arrangements not yet publicly disclosed."

A Kansas city spokeswoman pointed out that several years ago, after the ICC had rejected the proposed SFSP merger, the commission disapproved in writing of the possible combination of Southern Pacific and DRGW as uncompetitive.

Dispelling rumors that Kansas City had had trouble raising the funds to execute a purchase, Rowland said, "Kansas City Southern has the financing to go forward at any time. In fact, Santa Fe Southern Pacific management and Goldman Sachs, their advisor, told us that they were comfortable with our financing plans."

RLEA chairman Richard I. Kilroy declared, "We're confident that once the ICC reviews the DRGW/SFSP sales agreement and the opposition it likely will encounter, the RLEA's buyout offer will surface as the most viable in satisfying the ICC's divestiture order and the concerns of employees covered by existing agreements."

While it is pursuing its original offer independently, RLEA will also "leave its door open" to any party wanting to discuss an employee buyout or other possible options.

Not to be lost in the crowd is Olympia & York Development Ltd, a Toronto-based real estate enterprise who have also shown interest in SFSP, but who have been relatively silent.

Unfriendly Takeovers? Amidst all the brouhaha over the Southern Pacific sale, there still looms the threat of an unfriendly takeover of SFSP by Olympia & York or Henley.

When takeover talks between Henley and SFSP broke off in early December, SFSP offered to buy back Henley's 14.7% share.

Henley, however, rejected SFSP's proposal and left the window for a takeover slightly ajar by stating, "Instead of pursuing the proposal, Henley believes Santa Fe should seek to take action to maximize the value of its shares for all Santa Fe shareholders, including the possibility of a transaction in which all of the outstanding Santa Fe shares would be acquired by Henley."

Meanwhile, Olympia & York increased their holdings in SFSP from 6.9% to 8.3% in December. They have as yet refused to comment on the SFSP/DRGW agreement.

Accelerated Review. SFSP is eager to hasten the purchase agreement along as quickly as possible. According to SFSP chief executive officer Robert Krebs, "The stock of SPTCo has now been held in an independent voting trust for over four years, during which SFSP, SPTCo, their employees and the shipping public have been held in a state of uncertainty."

In order to speed things along, the ICC has been asked for an accelerated review period of six months. By law the ICC can take as long as 31 months on such an investigation.

Quick resolution of the sale of Southern Pacific to DRGW would make sense for SFSP. It would provide capital which could be used to fight an unfriendly takeover attempt. In addition, it would shorten the time for those in opposition to the sale to organize their counter-arguments.

It is not unlikely the ICC would consider shortening its investigation timetable since the SFSP merger has been in limbo for so long already.

A spokesman for the ICC explained that the commission will issue its "procedural schedule" as soon as DRGW files its application to purchase Southern Pacific.

DRGW spokesman Samuel Freeman indicated that DRGW would file its application "on or before February 22," which is in accordance with the 60-day filing window specified in the purchase agreement.

In the meantime, DRGW has begun its due diligence studies which include inspection of Southern Pacific tracks, terminals, yards and rolling stock. This inspection must be completed within 90 days of the date of the purchase agreement. ■

Conrail Succession Unsettled

Heir apparent to Stanley Crane leaves Conrail. Road increased traffic in 1987 but financial revenues didn't match volume increases. *By Bruce Vail*

The president of Consolidated Rail Corporation was asked to leave the company the first week in January, confirming the uncertainty as to who will lead the road when chairman L. Stanley Crane takes his scheduled retirement later this year.

President Stuart Reed resigned after it was made clear the board would not elevate him to the railroad's top spot.

Crane indicated a number of other candidates are being considered, both inside and outside the company. *American Shipper* was unable to learn which individuals had the inside track for the job.

One railroad stock analyst in New York suggested the board was seeking an individual who could lead the company for a prolonged period and therefore wanted someone a bit younger than the 62-year-old Reed.

Volume Up. Coincident with the resignation of Reed, Conrail published a report on the company's performance during 1987, the first year in which the company operated independent of government ownership.

Freight traffic volume increased 7.5 percent, the company said. Volumes of traffic serving the steel and metals industries, deliveries of coal to utilities, and intermodal movements were cited as the principal sources of this growth.

On the intermodal front, Conrail is claiming to have set a record as the first railroad to have transported more than one million intermodal trailers and containers. This record was set on December 10, according to Conrail, and the year's total intermodal volume showed an increase of 3% over 1986.

Some of this was accounted for by an explosion in double-stack movements. The number of containers carried on double-stacks nearly doubled in 1987, going from the 1986 level of 95,000 to 185,000.

However, many of these containers, it should be noted, were previously carried by Conrail via conventional COFC service.

The company also announced late in 1987 it would purchase 30 new high-horsepower locomotives expressly for the purpose of moving intermodal trains. The contract, which calls for delivery in the second quarter of 1988, is valued at $36 million, Conrail said.

Financial Performance. On the financial side, Crane said revenues had not increased at a level matching the increase in volume.

For the first nine months, Conrail reported net income of $220 million on revenues of $2.4 billion. This works out to $3.20 per share.

Conrail paid dividends of 25 cents per share in the first two quarters of the company's life as a privatized company.

The New York stock analyst commented that this was a respectable performance and comparable to how other eastern railroads had fared. But it was a generally slow year. ■

LA/LB Consider More ICTFs

Operators are interested in on-dock or near-dock railheads at southern California's big container ports. *By Richard Knee*

Port tenants at Long Beach and Los Angeles are examining the feasibility of on-dock or near-dock railheads but realization of them appears several years and millions of dollars away.

All of the major container-terminal operators have discussed the matter at least verbally with their respective host-port administrations.

The lone formal, written request to start the ball rolling has come from International Transportation Services, Inc., the terminal-operator subsidiary of Kawasaki Kisen Kaisha, whose vessels call at Long Beach.

The Long Beach harbor commission has scheduled a public hearing on ITS' application for February 1 in the port administration building.

The hearing will examine traffic of "bulk and other kinds of cargo," as well as containerized freight, according to Tom Underhill, Port of Long Beach marketing manager.

Who Is Interested. "Basically all the container lines" serving Long Beach expressed interest "in varying degrees" in the concept of an on-dock or near-dock railroad, Underhill said.

At Los Angeles, only three of the port's seven container-terminal tenants have shown interest and no written proposals have come forth, according to Arthur Goodwin, intermodal marketing manager there.

Sea-Land Service and Orient Overseas Container Line have shown "strong interest," McJunkin said.

Hyundai Merchant Marine also is highly interested, he said.

"Obviously, the smaller lines, without their own trains ... have lesser interest," he observed.

But "looking at the situation portwide, if you make it available to one terminal, you can't very well say 'No' to the other terminals," he observed.

Goodwin declined to name which of Los Angeles' port tenants have discussed the matter with the port authority, though he acknowledged when pressed that American President Lines was one of them.

Who the others are is not hard to figure out, he added. They would certainly be the bigger operators, he said.

The other terminal operators there are Evergreen Marine Corporation, the world's largest-capacity container carrier; Matson Terminals, Inc., which hosts Matson Navigation Company, Nippon Yusen Kaisha and Showa Line; Mitsui O.S.K. Lines; Indies Terminal, which hosts Yang Ming Line and "many of the smaller European lines"; Overseas Container Terminal, which hosts a number of Australian carriers; and Korea Shipping Corporation, which is "in a state of flux" because of its gradual merger with Hanjin Container Line.

The lone formal request has come from International Transportation Services, Inc., the terminal-operator subsidiary of Kawasaki Kisen Kaisha, whose vessels call at Long Beach.

Goodwin suggested that a near-dock railhead might be "more effective" than an on-dock facility because the former could serve "two or three" docks, whereas the latter could serve only one.

What is more, he noted, "certain terminals are not configured" to accommodate the extensive tracking that an on-dock rail facility would require to be viable."

Environmental Worries. One of the major hurdles the concept faces is the concern about increased train traffic through residential areas in east Long Beach and the Los Angeles International Airport area near the shoreline.

Their chief worry is noise, particularly during the late night and early morning.

Officials at both ports said they share that concern and are looking at routing alternatives.

But there's a plus side, noted James McJunkin, executive director at the Port of Long Beach, namely that on-dock or near-dock railheads "remove tens of thousands, if not hundreds of thousands, of trucks from the highways."

That is no small matter in the five-county Greater Los Angeles Metropolitan Area, of which freeway congestion is an unfortunate hallmark.

As far as he can tell, McJunkin said, those opposing the concept have not coalesced to any great degree, but the port must nonetheless "take these things seriously. ... We have to do our best to be a good neighbor."

Routing Alternative. While Southern Pacific Transportation Company's tracks run through primarily industrial territory between the harbor area and its old railhead a few miles east of downtown Los Angeles, the Atchison, Topeka & Santa Fe and Union Pacific System lines run through some residential neighborhoods, McJunkin noted.

UP's line parallels, but is also two or three miles east of, SP's tracks, he said.

SP's tracks run through what is known as both the Alameda Corridor, because it runs along Alameda Street, and the Central Corridor.

Santa Fe's runs northwest to LAX, then turns east to get through downtown.

Responding to residents' protests about the potential impact of the ITS proposal, the Long Beach port authority is suggesting a "rail freeway" with tracks of all three railroads running through the

Alameda Corridor, McJunkin said.

But SP "to a degree ... is not looking too favorably" at the concept, he admitted, because of the competition this would create for the intermodal container transfer facility the railroad opened about four miles equidistant from both ports in November 1986.

SP is the lone railroad using the ICTF.

ICTF Is Busy. Officials at both ports feel on-dock or near-dock railheads would pose no danger of obsolescence for the ICTF.

The facility is already at its projected first-phase capacity "one or two years ahead of schedule," handling some 30,000 containers a month, noted Underhill.

Southern Pacific "has a contract with, I believe, every shipping line serving Los Angeles and Long Beach," added Goodwin.

Competition. On-dock or near-dock railheads would give competitive boosts to the two ports, Underhill said.

"Obviously, we're competing against each other," he noted, "but there's also a question of whether the cargo will move through southern California, Oakland, Seattle/Tacoma or the Panama Canal.

"If the customers and tenants want it, we can't afford not to consider it," he asserted.

Funding. By the estimation of Long Beach port officials, the project would be expensive.

"It would clearly require some grade separations in the harbor," said McJunkin.

And in the harbor district alone, grade separations would cost about $50 million, according to port spokesman Elmar Baxter.

Improvements along the Alameda Corridor would cost some $220 million, McJunkin said.

Who would provide the money?

The Southern California Association of Governments has devised a "formula" that would spread the costs among the federal and state governments, the ports, the railroads and the cities that would be affected, namely Long Beach, Los Angeles, Carson and Compton, Mcjunkin said.

In fact, he added, the federal government has approved allocations for two grade crossings along the corridor and funding for a third has gotten the green light from the Southern California Rapid Transit District, which hopes to build a light-rail system.

The Long Beach harbor board has proposed a special, per-container fee to raise its share of the money, but the board and the city council must weigh the competitive aspects of this, he said.

Second Proposal For ICTF Near Vancouver, B.C.

Fraser Port, on the Fraser River at New Westminster, southeast of Vancouver, B.C., is the latest West Coast port to join the intermodal rail rush.

The port recently announced it intends to develop a $5 million (Canadian) container rail facility adjacent to its 170-acre Fraser Surrey Docks, operated by Johnston Terminals Ltd.

To be known as the Fraser Port Intermodal Terminal, the on-dock rail yard initially will be capable of handling 50 flat cars. The facility, which will have top-lift equipment, also will be capable of accommodating double-stack container cars.

The new yard, scheduled for completion in late 1989 or early 1990 due to preloading of soil required at the riverfront site, will be on the Canadian National and Burlington Northern main lines and have access to Canadian Pacific and BC Rail tracks.

Both the CN and CP have major rail hubs at New Westminster.

The port rail yard also will be close to the east-west freeway between Vancouver and points east and a major north-south highway link to the U.S. border.

Rick Pearce, the port's general manager, declined to divulge what containerized cargo markets are being targeted for the new facility.

Avoids Congested Area. But a glance at the map shows that the yard will be ideally positioned to attract not only Canadian intermodal cargoes but perhaps containers destined for or originating at U.S. upper Midwest and Northeast locations. Fraser Surrey Docks is located on the south side of the river, placing the terminal outside highway congestion in the Vancouver area and close to the U.S. border.

"With this new installation at Fraser Port, we will be able to make up trains on the dock and send them off without the constraints of going through downtown Vancouver and using the railway bridge over the Fraser," said Bill Vogel, chairman of the harbor commission.

Pearce said, "this is our answer to attract significant amounts of cargo to a Canadian port." He observed that U.S. West Coast ports handle about 60 percent of Canadian import containers and about 40 percent of Canadian export containers.

"This business as well as new cargoes is what we are going after," Pearce said.

Fraser Port's decision to develop the intermodal rail facility came shortly after the nearby Vancouver Port Corporation, whose container handling terminals are located on Vancouver's inner harbor, announced it plans to have a new intermodal rail yard operating some time in 1989 (see page 61 of the January 1988 issue of *American Shipper*).

Pearce said, however, Fraser Port's rail yard plans were not prompted by the Port of Vancouver's plans for such a facility.

Two Paceco Cranes in Place. "Our decision was made in relation to our own cargoes and to what we have identified as potential cargo for the port," he said. He noted that Fraser Surrey Docks already has two 40-ton-capacity Paceco container cranes and that there is space for expanding the 170-acre terminal by another 120 acres. Currently, most of the port's cargo-handling activity—amounting to about six million tons a year—involves commodities other than those that are containerized.

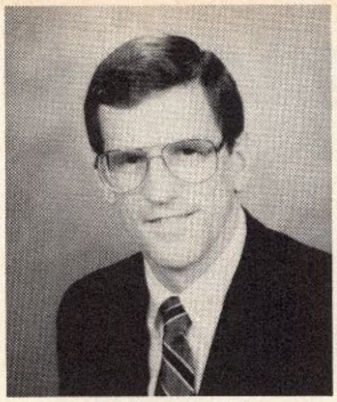
The port primarily handles forest products—from logs to lumber and other finished goods. Other noncontainerized commodities at the port include import autos and steel.

Containerized activity at the port is limited primarily to incidental deck loads on vessels, mainly involving forest products, and a weekly container barge service operated by Seattle-based Foss Maritime Co. between New Westminster and the Puget Sound load center ports of Seattle and Tacoma.

20 Miles Upriver. Compared with the Port of Vancouver, whose containerized and most other cargo-handling terminals are located on naturally deep water, Fraser Port is at a disadvantage in that its Fraser Surrey Docks, for example, is 20 miles up the Fraser.

However, the port, in conjunction with the federal government, is already taking steps to enhance its vessel navigation capability. Recently, it was announced that a four-year, Fraser deepening contract was signed by the Canadian government.

The eventual goal is to dredge the ship channel to a depth of 40 feet, Pearce said. Presently, a 13-foot tide is required for safely moving vessels with a 35-foot draft. Berths at the port's terminals are dredged deeper so that they can accommodate 40-foot-draft vessels at low water. ■



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Chairman
Union Pacific

Bruce Seaton
Chairman
American President

Burnell Roberts
Chairman
Mead Corporation

Olaf von Maydell
President
Hapag-Lloyd (America)

European Panel on Atlanta Intermodal Program

Atlanta's fifth annual International Intermodal Expo becomes truly international this year.

Expo chairman Nat Welch has made the move partly on the urging of Hapag-Lloyd chairman Hans Jakob Kruse, who has addressed the Atlanta Intermodal Expo the past two years.

Olaf von Maydell, president of Hapag-Lloyd (America), Inc., joined the Expo planning committee and added a strong international focus to the agenda of the Expo to be held in Atlanta April 19-21.

The Expo attracted 2,475 registrants in 1987. More than 2,500 are expected this year, Welch said.

Michael Walsh, chairman and CEO of Union Pacific Railroad, will deliver the keynote address on Tuesday afternoon, April 19.

Luncheon speakers will be Burnell R. Roberts, chairman of Mead Corporation, on Wednesday, April 20, and Bruce Seaton, chairman of American President Companies, on Thursday, April 21.

International Panels. Following the keynote address by Walsh on April 19, Robert Bray, executive director of Virginia Port Authority, will chair a panel, "Intermodal Challenges in Global Trade." Panelists will be: Richard D. Frick, manager automobile traffic, American Honda Motor Company, Gardena, CA; and Paul Pavilick, general manager intermodal department, Maersk, Inc., New York City.

Maydell will lead a panel on "Intermodalism in Europe" on the afternoon of April 20. Panelists will be: Dr. Udo Schulten, Bayer A.G., Leverkusen, Bayerwerk, West Germany; Bryan Stone, market research manager, Intercontainer, Basel, Switzerland; and Jane Boyes, editor, *Containerisation International*, London, England.

Dr. Donald Bowersox, professor of marketing and logistics, Michigan State University, East Lansing, Michigan, will chair the session on the afternoon of April 21.

Presenting the "Current Update" will be James Down, vice president, Temple, Barker & Sloane, Lexington, Massachusetts, and forecasting "A Look at the Future" will be Charles Hoppe, senior vice president, Booz, Allen & Hamilton, Bethesda, Maryland.

Welch

Immediately following the above will be the panel, "New Multimodal Concepts," chaired by Tom Fitzgerald, vice president-traffic, Atchison, Topeka & Santa Fe Railway Company, Chicago. Panelists will be: Edward McManus, president, NDS Warehousing Distribution Systems, Shrewsbury, Massachusetts; Charles Wilkins, manager of transportation analysis and procurement, Ford Motor Company, Dearborn, Michigan; and James Vaughn, president, Texas Highway Transportation, Inc., Dallas, Texas.

Thursday Program. Henry Watts, executive vice president-marketing, Norfolk Southern Corporation, Norfolk, Virginia, will chair an April 21 panel on "Just-In-Time and Intermodalism." Panelists will be: Richard Haupt, director of transportation and traffic, Ford Motor Company, Dearborn, Mich.; Clifford M. Sayre, director of logistics, E.I. duPont de Nemours and Company, Wilmington, Del.; and Douglas H. Wright, president, Intermodal Brokerage Service, Norcross. Ga.

Charles Marshall of Philadelphia, Conrail's senior vice president-marketing and sales, will lead another panel on the afternoon of April 21 entitled, "Motor Carriers—Intermodal's First and Last Link."

Panelists will be William Walsh, vice president-general manager, American Shippers, Inc., Allston, Maine; Scott Palen, president, Chessie Motor Express, Mount Laurel, N.J.; and Michael J. Bruns, president, Comtrak, Inc., Memphis.

Sponsors. The principal sponsors are: Norfolk Southern Corporation; CSX/Sea-Land Intermodal; Burlington Northern Railroad Co.; Atchison, Topeka and Santa Fe Railway Co.; Canadian National/Grand Trunk; Consolidated Rail Corp.; Union Pacific Railroad; and Southern Pacific Transportation Co. Joining the principal sponsors are maritime sponsors: American President Companies, Evergreen International USA Inc., Hapag-Lloyd Group and Maersk Line.

Seaport and airport sponsors are: Atlanta International Airport, Frankfurt Airport Authority, Georgia Ports Authority, Jacksonville Port Authority, North Carolina State Ports, Port Authority of New York and New Jersey, Port of Baltimore, Port of Houston Authority, Port of Long Beach, Port of Los Angeles, Port of Miami, Port of Montreal, Port of Oakland, Port of San Francisco, Port of Seattle, South Carolina State Ports Authority, Tampa Port Authority and Virginia Port Authority.

Registration. Registration includes all sessions, exhibits, five receptions, one breakfast, two lunches and two dinners. Fee is $125 before March 18, $150 thereafter. Send registration to Eleanor Lewis, Georgia Freight Bureau, 600 Healey Building, 57 Forsyth Street, Atlanta, Georgia 30303, telephone (404) 524-7777, telefax (404) 524-7776. ■

Gunderson Takes on Trailer Train

Greenbrier until recently was "walking the fence" between keeping Trailer Train happy and attempting to build a bigger market for the Greenbrier leasing side of the business. *By Bruce Johnson*

In a bold move that has the potential for rocking the railroad industry, container stack car builder Gunderson Inc.—a subsidiary of rail equipment lessor Greenbrier Leasing Corp.—is challenging Trailer Train Co., Gunderson's largest car-buying customer, on the issue of whether the Interstate Commerce Commission should continue Trailer Train's antitrust immunity for purchasing rail cars on behalf of Trailer Train's railroad members.

Gunderson has filed a petition in support of the U.S. Justice Department's 11th-hour filing seeking an ICC hearing or show cause proceeding on whether continuing Trailer Train's pooling agreement in its present form "would unnecessarily enable the member railroads jointly to exercise monopsony power in freight car purchases."

The filings with the ICC could delay a proposed restructuring of Trailer Train's ownership and 15-year extension of its antitrust immunity in operating a pool of equipment on behalf of its 18 member railroads. At the extreme, the filings could result in ICC action against Trailer Train's antitrust immunity, at least with respect to the purchasing of rail cars.

Originally, the ICC requested that parties file comments for or against the Trailer Train proposal no later than August 31. However, not until November 30 did Justice file its opposition to the ICC granting continued antitrust immunity for Trailer Train purchasing of cars. And not until December 21 did Gunderson intervene in support of the Justice filing.

Justice's late filing was prompted, according to the department's petition, to the department's late-hour learning that Trailer Train "has gradually assumed a role as a purchaser and supplier of freight cars that goes well beyond the rationale" of the ICC's 1974 decision approving Trailer Train's pooling agreement.

Stack train operations pioneered by the ocean carriers are now being phased into the domestic market, creating a boom in this type of rail equipment. Gunderson fears that its bulkheaded cars (shown at Sea-Land terminal in Tacoma) can lose out if Trailer Train controls the market on behalf of major railroads.

Cause of Dispute. In briefs filed December 21 in rebuttal to Justice's position and filed December 30 refuting allegations made by Gunderson, Trailer Train contended that the rationale for the petitions against Trailer Train are based on faulty arguments and have no basis in fact. There have been no substantive changes in Trailer Train's management of free-running intermodal pool cars that would warrant ICC action against Trailer Train, the company argued.

While not opposing the proposed Trailer Train ownership realignment or extension of authority to efficiently manage operation of a rail car pool, Gunderson alleges that "Trailer Train has engaged in numerous discriminatory acts which have been intended to punish Gunderson because Greenbrier has dared to compete with Trailer Train" in the leasing of intermodal equipment. Gunderson charged in its petition that Trailer Train "appears to prefer Gunderson's competitors' cars in an apparent effort to punish Gunderson because its parent, Greenbrier, competes with Trailer Train."

Angrily responded Trailer Train in its brief: "The purpose of Gunderson's multi-front opposition to Trailer Train's application is to advance the leasing interests of Greenbrier, to disable Trailer Train from competing with Greenbrier and to force the nation's railroads to pay more for equipment needed to compete with trucking."

O'Neal's Explanation. A. Daniel O'Neal Jr., former ICC chairman who now is a Seattle attorney and chairman of Greenbrier Intermodal, which markets and leases Gunderson-built stack cars, told *American Shipper* that Greenbrier until recently was "walking the fence" between keeping Gunderson's customer—Trailer Train—happy and attempting to build a bigger market for the Greenbrier leasing side of the business.

Last year, Justice gave Greenbrier—as well as other affected parties—an opportunity to intervene in the case concerning Trailer Train's proposed ownership restructuring and antitrust immunity extension.

O'Neal said the Greenbrier Companies, headquartered at Lake Oswego, near Portland, Oregon, chose not to "get into a big fight with the railroads and Trailer Train." But he said Greenbrier had "second thoughts" late in the year after "we began to have more experience with Trailer Train's reaction to our (equipment leasing) competition." It was then that Greenbrier contacted Justice and Justice decided to file its petition, he said.

"We have thrown caution to the wind and decided this issue is so important to us" that Gunderson had to challenge Trailer Train on the issue of continued antitrust immunity for purchasing rail cars, O'Neal said.

"We're concerned about how the railroads are going to react to this," he acknowledged. "But we believe the overriding economic interest is in favor of competition."

O'Neal said Greenbrier has become more active in leasing "to help sell the Gunderson car and provide an alternative for the railroads." At the same time, he said, "we have found Trailer Train has become increasingly aggressive about keeping us out of the market. They do

not want any competition," he said.

Variation in Lease Rates. Without being specific at this time, O'Neal charged that Greenbrier recently had reached "a virtual agreement" with a railroad for acquiring several stack cars but that Trailer Train "upset the entire transaction." He also charged that Trailer Train "has favored some of our competitors with lease rates"—that the ratio of the lease rate to the cost of the cars involved was lower in some instances involving competitors' equipment than it was for Gunderson-built equipment, he said. Both allegations also are contained in Gunderson's filing with the ICC.

Trailer Train Denial. In an interview with *American Shipper*, Trailer Train president Raymond C. Burton Jr. strongly denied that his company was involved in these or any other alleged abuses against Greenbrier and its companies.

There was no attempt by Trailer Train to upset any Greenbrier transaction with a member railroad of Trailer Train and "we do not use discriminatory pricing around here," he declared. "By charter, we do not discriminate. It's just like Hertz rental car; the same rates apply."

Competitors Support TT. Burton noted that all three of Gunderson's car-building competitors—Thrall Car Manufacturing Co., Trinity Industries Inc. and Bethlehem Steel Corp.—have filed statements with the ICC supporting Trailer Train's request for renewed pooling.

"That has to tell you something," he said in reference to Gunderson's parent company—Greenbrier—being interested in expanding its car leasing activity.

"I think Trailer Train has a very strong argument and persuasive case," Burton said. "This company has been very democratic with all of the car builders. We don't want any of them to go out of business."

Gunderson Built 32% of Units. He said "32 percent of our wells (stack-car platforms) are Gunderson built." Altogether, Trailer Train has 5,200 to 5,300 platforms in its stack-car fleet, he reported.

Dispute Over Standardization. O'Neal stated that it is Gunderson's position that Trailer Train has "stifled" car building competition by advocating standardization of design and construction of "generic" cars. If the style of car can be controlled and Gunderson with its bulkhead-design stack car were to be eliminated from competition, Trailer Train would be the only leasing company the railroads could go to for leasing stack cars, he said.

O'Neal said Greenbrier had "second thoughts" late in the year after "we began to have more experience with Trailer Train's reaction to our (equipment leasing) competition." It was then that Greenbrier contacted Justice and Justice decided to file its petition, he said.

In its petition to the ICC, Gunderson alleged that "Trailer Train has abused its market power to stifle innovation" in car design.

"While standardizing car designs may have some efficiency justifications under some circumstances, it also inhibits innovation in design and inhibits competition between competing car builders based on the relative merits of their respective designs," the Gunderson filing stated. "In other words, if Trailer Train had been able to work its will, it would eliminate competition between Thrall's design for a stack car and Gunderson's design for a stack car. This stifles innovation by the car builders and also reduces the number of choices available to the railroads, which are the consumers in this case."

Gunderson also charged that standardization of car design "gives Trailer Train more power to allocate contracts for construction of cars based on Trailer Train's own preferences rather than on the customer's preferred design."

Trailer Train, in its filing with the ICC, responded: "The fact that a car purchaser, such as Trailer Train, may prefer one design to another, or may seek to combine the best features of two designs, does not mean that design competition has been repressed. Moreover, Trailer Train's coordination of design activities stimulates investments in innovations that benefit the industry."

Competing With Trucks. Standardization of car design, Trailer Train stated, is desirable because cars acquired by Trailer Train typically are used by several railroads and because production costs are lowered, enabling railroads to more effectively compete with truckers.

Contrary to stifling innovation as alleged by Gunderson, Trailer Train contended that, as a centralized purchaser and owner of flat cars, it has encouraged car design innovations, including through the company's own research and development efforts. Some of the innovations ensuing from this effort "probably would never have been introduced otherwise," TT argued.

Trailer Train also argued that denying Trailer Train ownership of cars would jeopardize its car maintenance and repair programs due to less standardization of components and parts and an inability to enter into sizable contracts with outsiders for heavy repairs and rebuilding of cars.

Concluded Trailer Train in its petition to the ICC: "The effect of denying Trailer Train the authority to purchase cars, as Gunderson well knows, would be to increase the costs of the railroads. Although this might lead to increased profits for Gunderson and Greenbrier in the short term, in the long term the loss of efficiency would inevitably result in the loss of intermodal business to trucking."

In its filing with the ICC, the Justice Department contended that Trailer Train in recent years has increased its intermodal car leasing power beyond what was allegedly intended in earlier ICC rulings concerning Trailer Train car pooling.

Justice stated that the number of Trailer Train managed cars available for allocation or assignment to specific railroads has increased and that Trailer Train has extended the minimum assignment period to five years for certain types of intermodal cars. The effect of this, Justice said, is that Trailer Train is acquiring more cars that "the participating railroads will be able to treat as their own cars for all practical purposes."

Market Shares. According to the Justice filing, "Trailer Train's current flat car fleet of 87,581 cars now comprises almost 65 percent of the 135,653 flat cars in use in the rail system at the end of 1986 and Trailer Train's 46,395 intermodal flat cars comprise about 81 percent of the approximately 57,000 intermodal cars in the United States."

In a briefing paper supplied by Gunderson, it was stated that Trailer Train purchased 2,140 of the 2,655 stack-car platforms sold in 1985, 1,852 of the 2,862 platforms sold in 1986 and 1,355 of the 2,020 platforms sold through November last year.

According to the paper, Trailer Train owns 5,347 of the approximately 7,537 stack-car platforms built since 1984. Of those 7,537 platforms, Greenbrier owns or leases 750 platforms and Trinity owns 50 platforms for its rental fleet, it was reported. With such buying power and the prospect that this buying power could increase in the future, Justice argued, "Trailer Train could force the price of new flat cars below a competitive level," thus leading to production of fewer flat cars and eventual injury to shippers and consumers.

"As a purchaser's share of the market increases substantially above 35 percent,

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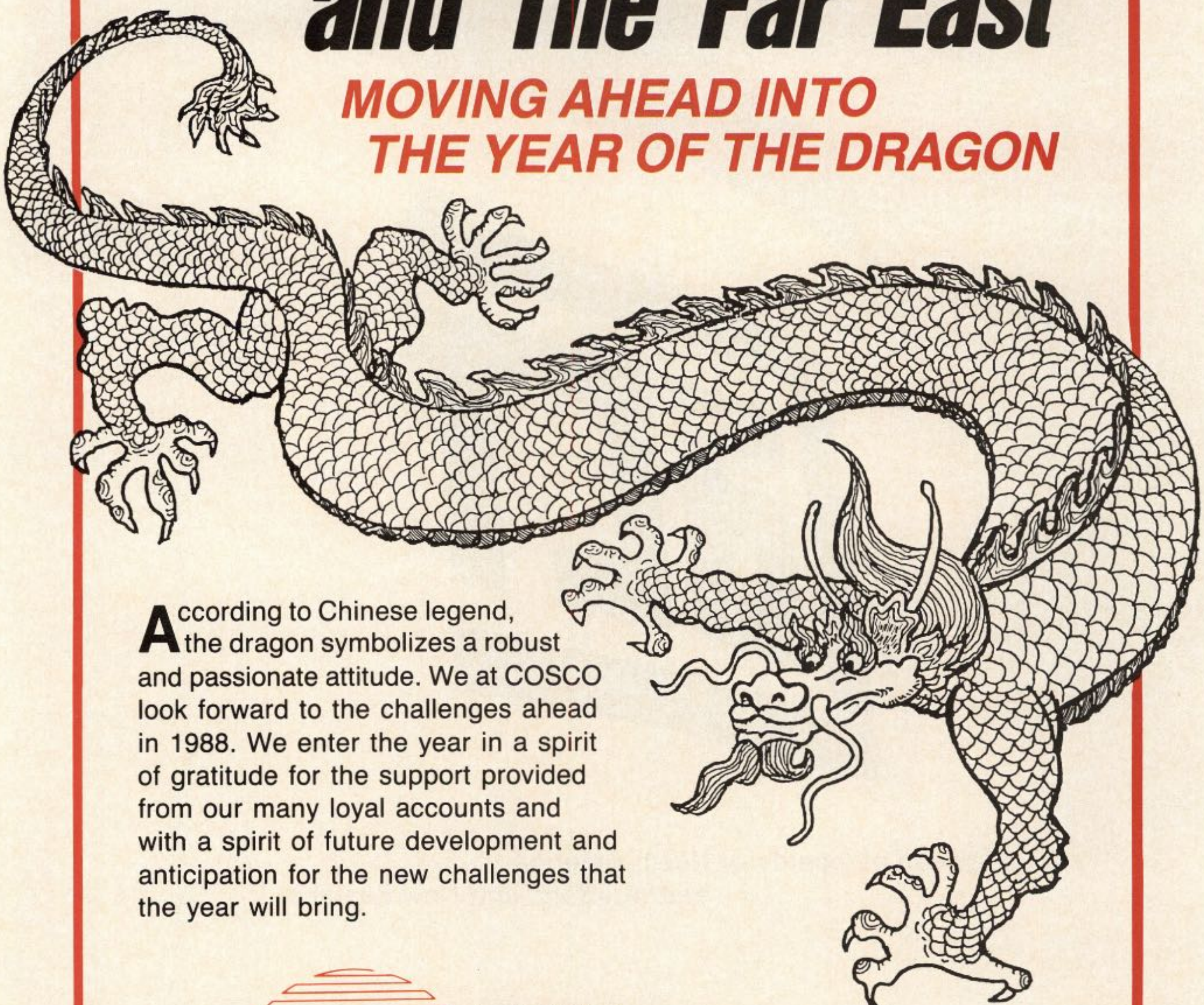

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so does the likelihood that the purchaser can exercise monopsony power," Justice believes.

In its petition, Justice cites projections by Merrill Lynch Economics Inc. that Trailer Train was expected to account for about 4,100—or 74 percent—of the 5,500 new flat cars of all types anticipated for delivery in 1987.

Replying to the Justice petition, Trailer Train stated in its filing with the ICC that Justice "has been badly misinformed" regarding Trailer Train's position as a supplier of cars and a number of other factors relevant to Trailer Train's pooling program.

"It is not the case that Trailer Train's role as a purchaser of flat cars has dramatically changed," Trailer Train asserted. "In 1986, Trailer Train accounted for 71 percent of flat car purchases. In 1974, when the pooling was approved by the commission, Trailer Train accounted for 73 percent of flat car purchases."

Trailer Train noted that railroad members continue to have freedom in purchasing their own cars. Since 1983 when the Surface Transportation Assistance Act became effective, Trailer Train stated, Trailer Train's TOFC/-COFC fleet has declined by about 3,150 cars while railroad-owned such equipment has expanded by more than 2,500 cars.

It was noted, though, by Trailer Train that its ability to purchase cars and related equipment in large volumes "results in economies of scale that would not be present if each railroad were required to meet all of its demand for flat cars by purchasing cars in small volumes on its own."

Trailer Train also denied "supplanting railroads as a purchaser of cars for local service" as contended by Justice and stated that assigned and allocated cars account for only about 13 percent of Trailer Train's intermodal fleet. Free-running cars account for 87 percent of Trailer Train's intemodal fleet; Trailer Train's fleet management functions with respect to free-running cars are the same today as they were in 1974 when the pooling arrangement was last extended by the ICC, Trailer Train said in its filing.

In its closing arguments for continued ICC antitrust immunity, Trailer Train stated that it has been "instrumental in enabling railroads to compete effectively with the trucking industry" and Justice's theory that railroads are exercising monopsony power through Trailer Train is refuted by the fact that there is no shortage of flat cars and by the fact that "intense" competition from trucking "is more than sufficient to impel each railroad to seek an adequate supply of intermodal cars." ■

BN Orders Heavy Duty Stack Cars

Each platform can carry 124,000-lb. load. Gunderson gets order. First deliveries in April. *By Bruce Johnson*

Trailer Train Company has awarded a contract to Gunderson Inc. for building 30 five-platform container stack cars of a new, heavy-payload design—ironically, just when Gunderson is seeking to have the Interstate Commerce Commission restrict Trailer Train's antitrust immunity (see separate story).

But the timing of the contract is coincidental. Trailer Train was directed by one of its members, Burlington Northern Railroad, to order 150 stack-car platforms from the Portland, Oregon, car builder.

BN will use the cars—first of their kind to be built in a production run—in its daily Twin-Pack service between Seattle and Chicago.

High Capacity Stack Cars. Besides being Gunderson's first heavy-capacity container stack cars, the BN order is for cars that will have inter-box connectors rather than a fixed bulkhead on the end of each platform. To date, all Gunderson-built stack cars have been of the bulkhead type. The lack of bulkheads helps reduce car weight, thus boosting payload, said Bruce Harmon, Gunderson's director of communications. Also reducing car weight is Gunderson's side cell and bolster design, he said.

Each platform will be capable of carrying about 124,000 pounds of cargo and container weight, according to William K. Berry, director of planning and equipment for BN's intermodal department, headquartered at Ft. Worth, Texas. BN's current stack-car platforms are limited in capacity to between 93,000 and 101,000 pounds, depending on the car involved, he said.

A key reason for BN ordering the new design cars, Berry said, is the need for greater efficiency in handling and transporting imports arriving in 20-foot containers.

Avoid Overloading. Care must be exercised in avoiding overloading a stack car when a couple of 20-footers are being loaded into the car's well and a 40-foot or larger container is positioned on top of the two 20s.

The heavier-capacity car will speed up loading operations because there will be more flexibility in positioning heavily loaded 20-foot boxes on stack-car platforms, Berry said. This will save BN money in terms of both manpower and equipment at its terminals, he indicated.

"We also see this (new car) being applicable to domestic containerization," Berry continued. The cars, which have 40-foot platform wells, will be able to carry 45- and 48-foot domestic containers on the top tier.

Why the 125-Ton Truck. Berry said BN looked at a number of design alternatives, including a three-axle truck configuration and a single, double-stack platform car design, before deciding to order the Gunderson cars using 125-ton-capacity trucks. This capacity is sufficient to carry the average 35-ton weight of each platform plus 62 tons of cargo and container, plus a 28-ton safety factor.

"The 125-ton truck is the best solution for what we currently needed," he said. He acknowledged that "there will probably be increased track wear" and increased wear on bridges and other structures resulting from the heavy trucks. "But there are also savings," he said in reference to greater terminal operating efficiency and other factors.

BN is conducting a study on the costs as well as benefits of running higher-capacity cars.

Test Period. "We wanted to get some operating experience with them—and we need the capacity," Berry said. "So, we decided to go ahead and put on 30 of the cars and not wait."

He said BN's study on running heavy payload cars will be completed before BN orders additional such equipment.

More Heavy Duty Designs. Harmon, at Gunderson, said the new cars for BN involve only one of several heavier-payload designs the car builder has on the drawing board.

He declined to give details about other proposed models but indicated that "we're very close to being able to produce" a stack car with a still-higher payload.

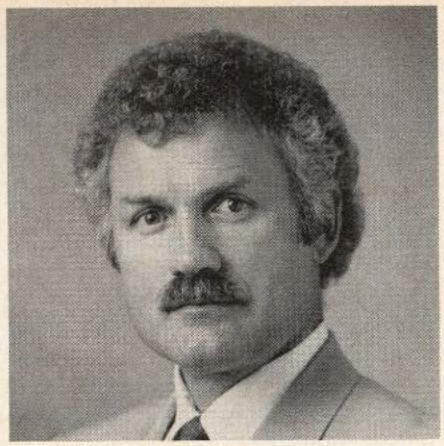
Despite the fact that the new BN order is for a non-bulkhead car, Gunderson continues to rely on the bulkhead type of car for high-capacity cars being designed for carrying domestic containers, Harmon said. "Our design probably will be a bulkhead car" for this application, he said.

In the case of this new order, though, Gunderson is meeting BN's specifications for an inter-box connector car, he noted.

Harmon declined to divulge the value of the 30-car order. He said BN's new platforms will go into production in March. Car deliveries are scheduled to commence in mid-April. ■

Burlington Northern Worldwide

Murry Watson
BNW President



Mic Dinsmore
BNW Pacific VP

In taking a non-capital approach to forming its transportation network, BNW is marching to a different drummer than CSX/Sea-Land and American President Companies, both of which have established extensive multi-modal operations tied to their own assets. *By Bruce Johnson*

A third-party, one-stop shippers' shopping service destined to be unlike any other such service afloat has been launched by Burlington Northern Railroad under the logo of a newly formed, wholly-owned subsidiary—Burlington Northern Worldwide (BNW).

Backed by the financial stature of BN, Texas-headquartered BNW is putting together what its president, Murry W. Watson, terms "an integrated international intermodal transportation network" of foreign affiliates to provide customers with "a very high-quality" door-to-door service under the BNW nameplate.

Watson, who previously was vice president of BN's international marketing and sales, told *American Shipper* that the new company will be "much more" than what could be characterized as a "super NVOCC" (non-vessel operating common carrier) entity.

BNW is setting up its network of freight forwarders, customhouse brokers and NVOCC companies in the Pacific, Atlantic, Caribbean and South American trades. The approach, he said, is to tailor transportation services worldwide to a customer's specific needs.

Watson said BNW, based at Irving, Texas, outside Ft. Worth, will be in a strong position to do that because it will make use of transportation assets belonging to other companies rather than have its own such assets with which a customer's shipments must conform.

"Our approach is a noncapital type of approach," he said. "We're taking a marketing approach, not a capital approach."

Operate Under NVO Tariff. BNW, operating under an NVO tariff, will not possess its own ocean or inland transportation equipment. It will have agreements with a variety of ocean and inland carriers.

Besides making it possible for BNW to provide shippers with frequent service from various destinations, shying away from having its own capital assets will enable the new company to capitalize on overcapacity conditions, Watson noted.

"There's excess capacity in every one" of the theaters in which BNW is beginning to operate, he said. "By helping others use up their excess capacity, they can also help provide us with the underlying service."

In taking a noncapital approach to forming its transportation network, BNW is marching to a different drummer than CSX/Sea-Land and American President Companies, both of which have established extensive multi-modal operations tied to their own assets.

Watson downplayed the obvious offering up of BNW competition to APC and Sea-Land, the latter which is BN's prime dedicated container train customer.

Room for More. "We can be a very, very successful company and never, ever take a single shipment away from APL (American President Lines) or Sea-Land," Watson said. "The market is so large there is plenty of room for another entrant."

He contended that the business of APC and Sea-Land together "probably" amounts to less than 10 percent of the overall international freight transportation market.

Watson declined to divulge details concerning agreements BNW is negotiating with various ocean and inland carriers, including the BN. He did say, though, that "we'll be treated like anyone else" as far as BNW's parent, BN, is concerned.

"We're a stand-alone unit," Watson said. "We'll buy services from the Burlington Northern Railroad as well as other railroads. We have no obligation to move traffic over the BN. But we expect the BN to be a primary carrier for us."

Upon announcement of BNW's formation, Ralph Muellner, vice president of BN's international marketing and sales, said BN's international department "will continue to market BN rail services to its customers as before" BNW was established.

A cornerstone of BNW's capability of supplying high-quality service to its customers, Watson continued, is the international transportation expertise represented by the company's management team, which still was being assembled.

Regional VP Named. As of this writing, Watson had signed aboard four vice presidents: Mic Dinsmore, Pacific Region vice president at Seattle, who is leaving March 1 from the Port of Seattle, where he is director of the port's marine division; Barclay Terhune, Gulf region vice president at Houston, formerly BN's international market manager and before that in the freight forwarding business; Ron Love, Atlantic region vice president at New York and formerly president of Worldwide Logistics, a New York-based NVO that BNW purchased to set up shop in the East, and Barry Scott, at Irving, vice president of BNW's dry bulk and chartering division.

"We'll have, I think, a really strong team," Watson said. BNW's staff initially will consist of about 25 persons.

Dinsmore, who holds the Port of Seattle's top marine department job, has been credited with being instrumental in building the port's container handling volume back to where it was before Sea-Land Service, then the port's highest-volume tenant, departed in May 1985 for

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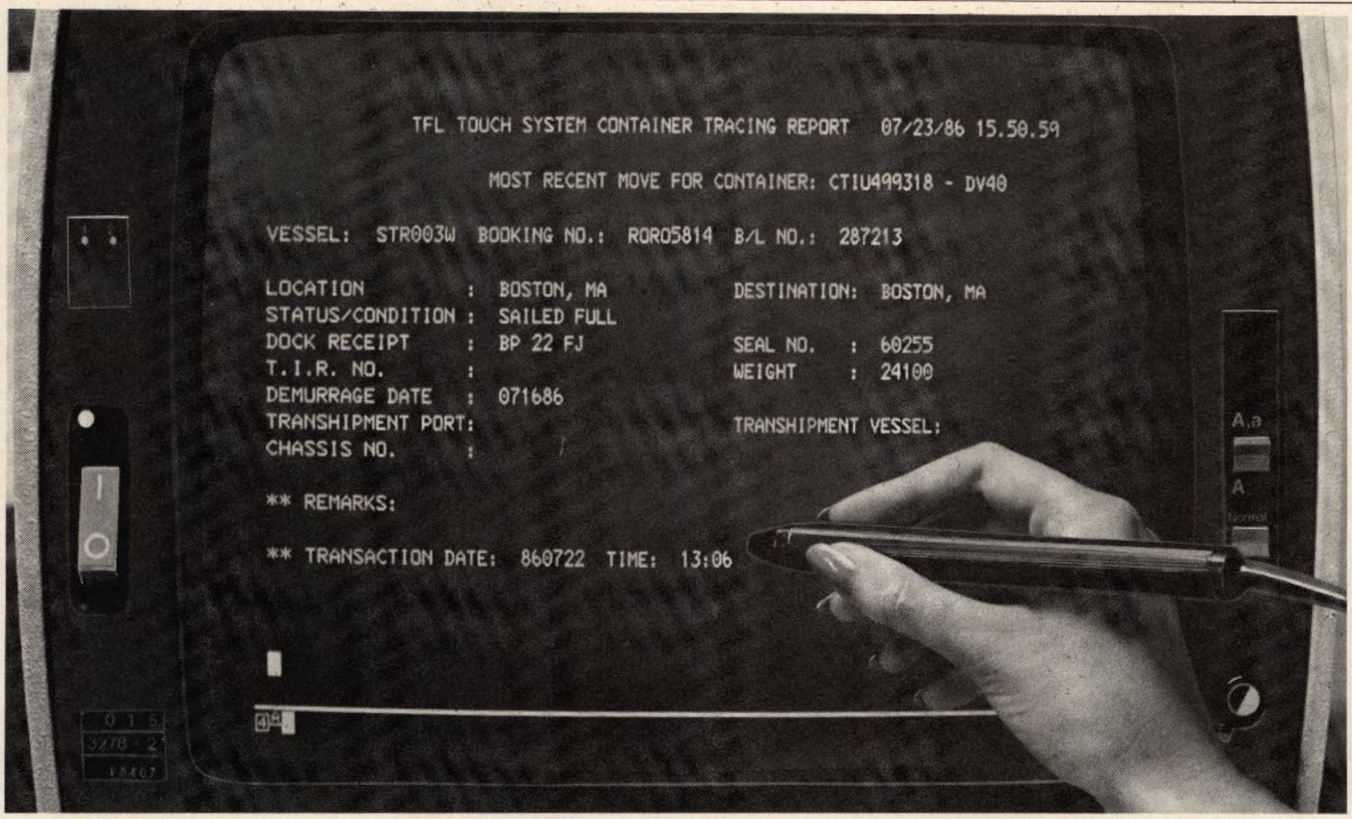

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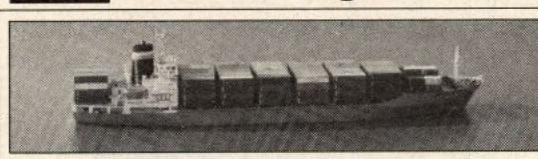

IN TOUCH WITH TWO CONTINENTS

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the competing Port of Tacoma. Before joining the port four years ago, Dinsmore was executive vice president of American President's stevedoring firm, Eagle Marine Services, and held management positions with both APL and Sea-Land.

Range of Services. BNW was incorporated in December and officially started operating January 1. The company has or will have offices in New York, Chicago, Houston, Los Angeles and Seattle, in addition to its Ft. Worth area headquarters. Its range of services will encompass LTL, LCL, full container load and dry bulk cargoes. ■

AmTrans, Atlanticargo Agreement

Two non-conference carriers in North Atlantic trade agree to cooperate in Charleston. In practice, cooperation is limited, carriers say. *By Bruce Vail*

The Federal Maritime Commission has authorized a slot-charter arrangement between U.S.-flag carrier American Transport Lines (AmTrans) and Sweden-based ship line Atlanticargo Services. The arrangement allows the two lines to charter container slots on each other's vessels in their service between U.S. ports and North Europe.

Atlanticargo president Kurt Winquist characterized cooperation beteween the carriers as "very loose" and said it was not a formalized agreement similar to the one between Atlantic Container Line and Hapag-Lloyd, for example.

Rather, the purpose of the agreement is to provide each carrier with the additional capacity to take care of the occasional overbooking of cargo by either carrier.

Winquist added that, in practice, the agreement has resulted in Atlanticargo handling boxes of commercial cargo for AmTrans in instances where the U.S.-flag carrier was booked primarily with Pentagon cargo carried under its contract with the Military Sealift Command.

On several occasions, AmTrans has reciprocated when Atlanticargo was overbooked with its own commercial loads, he added.

Charleston. The cooperation is pretty much limited to activities in Charleston harbor, Winquist indicated. This is the only port served by both carriers.

Atlanticargo's service covers South Atlantic and Gulf ports, while the AmTrans North Europe service goes no farther south than Charleston and then calls Philadelphia and New York.

Winquist said no full-scale rationalization of terminal space is anticipated, although this is permitted under the agreement.

Also permitted is the full rationalization of sailing schedules. But again, Winquist said, such activity is not anticipated at this time.

Not Allowed. According to the FMC filing, "Except for compensation paid for space chartered or equipment interchanged hereunder, this Agreement does not authorize the joint fixing of rates, terms and conditions of carriage or other tariff matters established by either party. Each party will determine its own rates and charges to the shipping public independently of the other party, unless and to the extent as the same may be authorized under any conference or rate fixing agreement in which the Parties may participate."

The two carriers already have some latitude for cooperation under the "Eurocorde I" agreement. This agreement allows free discussion between some of the leading independent carriers and conference members on matters of rates, service, etc.

But this slot-charter deal, Winquist said, is unrelated to Eurocorde I, and AtlantiCargo is not planning any entrance into the conference. ■

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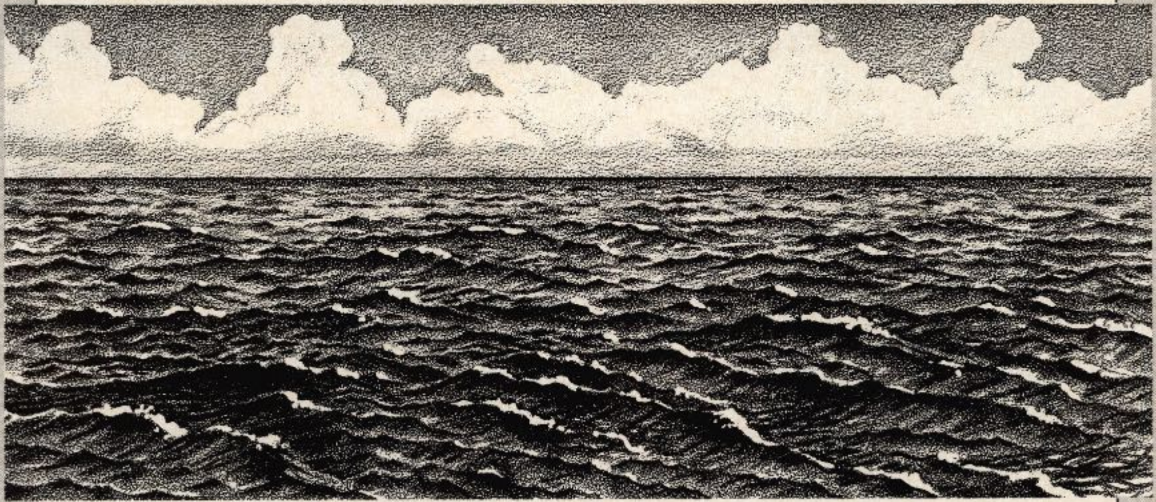

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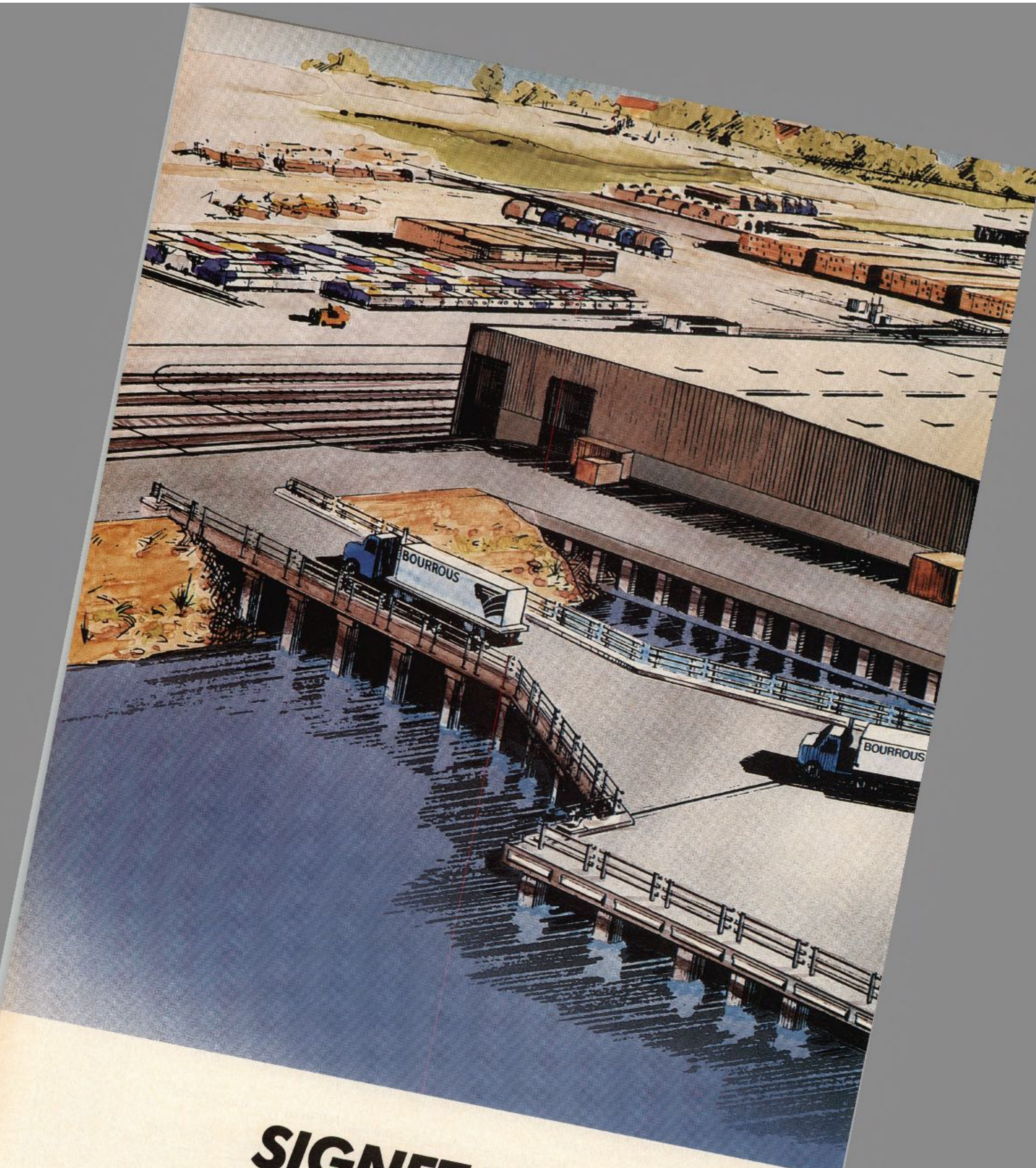

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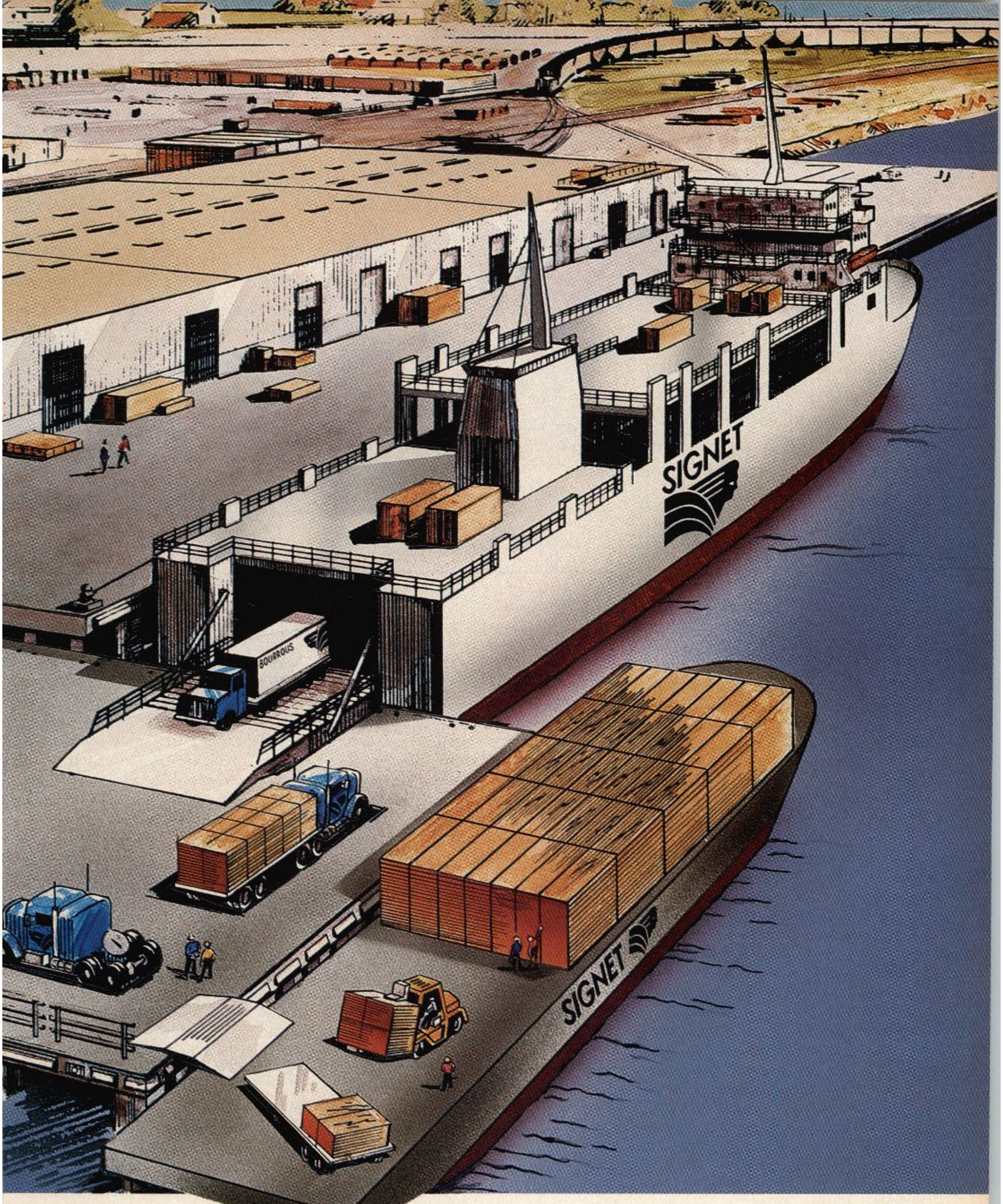
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Boston Rejects NYSA Idea On Compromise

Solutions favored by ocean carrier groups in New York do not command support elsewhere. Carriers Container Council viewed as heavy-handed by management officials in the outports. *By Bruce Vail*

Anticipated Losses of Tonnage, Hours, Jobs and Revenue Resulting From Elimination of Container Rules at Boston

The attached reports have been prepared to show the negative effect the elimination of Rules 1 and 2 (stuffing and stripping or S/S) will have on the Port of Boston and the disastrous effect the elimination of Rules 3 through 9 (batching) would have on the port.

	Current	What Boston Would Lose		What's Left
		S/S	Batching	
Total Tonnage	1,191,000	14,000	550,000	627,000
Total Longshore Hours	284,000	12,000	95,000	177,000
Total Clerk Hours	141,000	14,000	70,000	57,000
Total Boston ILA Hours	425,000	26,000	165,000	234,000
Total Wages	$8,900,000	$545,000	$3,480,000	$4,875,000
Total Vacation and Holiday Contribution	1,700,000	100,000	660,000	940,000
Total Pension & Welfare	2,650,000	160,000	1,036,000	1,454,000
Total Cont. Royalty Ass.	2,000,000	--	845,000	1,155,000
Total GAI Assessments	530,000	7,000	275,000	248,000
Total Longshore Jobs	214	7	66	141
Total Clerk Jobs	83	7	26	50
Total Boston ILA Jobs	297	14	92	191

The GAI Fund will enter the 10/1/87 contract year with a surplus close to $7,000,000 will be depleted by the end of this contract period despite doubling the assessment rate to $1.00 per L/Ton in 1988.

In order to fund subsequent contract years (beginning 10/1/89) the assessment rate on the remaining 500,000 L/Tons (excludes salt) would have to be set at $8 per L/Ton.

*Source: Boston Shipping Association.

The regional disunity among management officials who deal with the International Longshoremen's Association is proving to be a major stumbling block in efforts to devise a compromise on the long-disputed 50-mile rule. The ports outside of New York, long resentful of what they view as the inordinate influence of carrier-dominated groups there, are resisting the possible compromises being floated by the New York Shipping Association (NYSA) and the Carriers Container Council (CCC).

This division is, in many ways, a continuation of the open split among regional management groups that characterized negotiations over the 1986 coastwide labor contract. In these negotiations, all but one local port association declined to act in concert with the NYSA and the CCC because they saw their interests as quite different from these large carrier-dominated groups.

NYSA and CCC, for their part, have insisted on the leading role because, in their own view, the big container carriers are the ones who ultimately pay all the bills. That position is strengthened by the recognition of this salient point by the longshoremen's union itself.

Dumping All the Rules. According to several individuals closely involved, a recent source of friction among the groups is the desire of the CCC to renegotiate the entire set of "Rules on Containers," not just the stuffing and stripping provisions declared illegal by the Federal Maritime Commission.

Carrier executives in the New York area, it is said, believe ILA president John Bowers is willing to entertain proposals to do away with all the "Rules" with the exception of the container royalty payments. They say they believe this can be done as part of the 1989 coastwide contract negotiations, if not as part of a 1988 renegotiation made necessary by federal action against the 50-mile rule.

This issue breaks the main regional division between North and South down even further. Management officials in the South Atlantic and Gulf ports maintain the 50-mile rule has minimal impact on their home turf. Because the 50-mile rule affects well under 5% of ILA manhours in these ports, management groups believe they are essentially untouched by the FMC decision. In their view, the 50-mile rule problem is one for the northern ports only. But if the entire set of "Rules" are on the table, divisions among the northern ports surface also, especially a split between Boston and New York.

(An interesting footnote to the 5% figure used to describe the impact of the 50-mile rule on southern ports was explained by one management official, who declined to be identified. He stated the stuffing and stripping work done in the South Atlantic would likely continue even if the 50-mile rule is ultimately abolished. The reason, he said, is that such work was the result of the desire by carriers to reposition empty boxes in Southern ports where export loads of forest products are available. The reason this work goes to southern ports, then, is because carriers need it done there for commercial reasons, not because they are obligated to do so by the ILA contract.)

NYSA Proposal. For the reasons described above, southern ports regard the initial proposal by NYSA for doing away with the 50-mile rule as essentially irrelevant to them. This proposal, which calls for manipulation of assessment formulas in conjunction with sweeping work rule concessions, has been offered up to other ports as a model they might follow. (For a more complete description of the NYSA proposal, see *American Shipper*, January 1988, page 10).

This offering is being done by David Tolan, a man who is playing a pivotal role in this entire matter. Tolan runs labor relations for Sea-Land Service, among the largest ILA employers in the country. He is also an important member of the board of the NYSA. Perhaps most relevant, he is chairman of the Carriers Container Council.

The Sea-Land executive is regarded by others both in and out of New York as the moving force within the NYSA. And, as chairman of the CCC, he is the lightning rod for the tensions between the outport management groups and the carriers.

Tolan has moved the CCC to the forefront of ILA labor negotiations in recent years, asserting the dominance of the carriers over the regional port associations. For example, the CCC for the first time became one of the principal signatories to the coastwide master contract in 1986. The port associations in the south did not participate in these talks and were ultimately obliged to sign on to the pact agreed to by Tolan, NYSA president Anthony Tozzoli and Boston Shipping Association president Arthur Lane (Lane was the only outport management leader to stick with Tolan and Tozzoli throughout the difficult negotiations).

Partners. Tolan's most recent effort to assert the authority of the CCC comes in conjunction with the 50-mile rule mess.

Tolan told a meeting of South Atlantic and Gulf management officals last October that CCC wanted to have some say in any compromise packages they negotiate. Tolan wants the CCC to be an "equal partner" in these talks, said one southern management leader. Indeed, it is suggested privately that Tolan is attempting to establish a CCC veto power over any local agreements on the 50-mile rule.

Confirmation for this comes in remarks recently published in a newsletter called *Ocean Carrier*, the in-house organ of the CCC. The relevant section is as follows:

"In the wake of the FMC decision (declaring the 50-mile rule illegal) and its potential effect on the management-labor agreements, the CCC position is 'that local solutions are in the best interests of everyone,' said Chairman David Tolan. 'The local port associations should come up with solutions to their port conditions. The CCC then would seek to incorporate these solutions in the master contract.'

"However, Tolan emphasized that the CCC wants to be an equal partner with the port associations in determining workable alternatives. 'We will not simply subscribe to what the ILA and port associations may agree to in individual ports.'"

Boston Problems. Beyond the direct reference to South Atlantic and Gulf port groups made in Tolan's statement, the remarks also refer to a schism between CCC and its single outport ally in the 1986 contract talks, the Boston Shipping Association.

When it became clear to Boston that Tolan and Tozzoli wanted a solution that would entail elimination of all the "Rules on Containers," (except the royalty payments), they became alarmed. This fear was prompted by a realization that the "Rules" covering the movement of containers from one ILA port to another protected almost half the man-hours in Boston harbor. If the 50-mile rule and the so-called "batching" rules were all eliminated, Boston stands to immediately lose over half its man-hours.

Furthermore, the loss of these man-hours would place such a high burden on the Guaranteed Annual Income plan that

the remaining work would likely be driven away.

In response, Boston Shipping Association (BSA) president Arthur Lane came up with a draft compromise. Worked out between BSA and Boston area ILA representatives, the draft accepts the elimination of all the "Rules on Containers," except the container royalties, but inserts a modified version of the "batching" rule. The modified version mandates much the same thing as the earlier version: when a carrier moves numbers of boxes from one ILA port to another then the containers are handled by the ILA at both ports. Without this rule, it is believed Boston's thriving container barge service would, in Lane's words, "go down the drain."

In explanation of the BSA draft, Lane circulated a a letter to all the principal management associations. "Our East Coast/Gulf Shipping Associations have failed to unite. There can be no break in the continuation of work in this economically marginal trade."

"The Carriers Container Council, which alone covers the full range of ports, has expressed its determination to *impose* (emphasis added) a settlement to that end. The price of that imposed peace will be one Boston cannot pay if all but Rule 10 (container royalties) is eliminated.

"Boston can absorb the loss of stuffing and stripping ... (but) to cancel all carrier obligations for waterfront terminal delivery of import/export cargo would in Boston also kill direct ship call, for the remaining direct call carriers would have to carry the load of high assessment (GAI rising to $8.00 per ton for example) against an impossible low volume port tonnage."

This Boston example in many ways represents the classic conflict between large ocean carriers and smaller ports. Carriers find the current system too restrictive but the same system is extremely important to the local port. Carriers have the power to change the system by dealing directly with the union.

Northern Ports Comment. Boston is not alone in its objection to the NYSA plan. First, it should be noted, there is considerable dissension within the NYSA itself. Specifically, the stevedore members—especially Maher Terminals and Universal Maritime Service, two of the harbor's largest—have objections. These stevedores, like the outport management associations, have indicated they believe Tolan has altogether too much influence. There is a perception, justified or not, that the costs of any 50-mile rule compromise will fall most heavily on the New York stevedores.

Also not a supporter of the New York plan is Thomas Kelly of the Philadelphia Marine Trade Association. He estimates some 200,000 man-hours, or 10% of the port's total, are directly attributable to the 50-mile rule. This work is largely concentrated in imported frozen meat handling, he said.

Without the rule, Philadelphia will likely lose this business altogether, Kelly predicts. Unless some provision is made for the area's frozen meat trade "it (the NYSA plan) couldn't be sold here. For that matter, I doubt they can sell it in New York," Kelly commented.

Alternately, William Detweiler, president of Steamship Trade Association of Baltimore, sees merit in the NYSA plan. "We've looked at things similar to New York and it's probably workable," he said. He added that the NYSA emphasis on manning scale reforms and productivity was well placed. "We have to find a way to meet the competition from non-ILA" labor, he said, echoing one of the main tenets of the NYSA plan.

But, Detweiler cautioned, "we've got to be careful not to get involved in a shell game" regarding assessment formula manipulations.

All assessment money, he noted, originates in the pockets of the carriers. To juggle the formulas in such a way that carriers pay less in one place but more in the other does not do much to address the real problem, Detweiler said. ■

Vancouver's Container Clause Scuttled January 1

Vancouver, Canada's container clause is finally dead. It was scuttled effective January 1, following filing of a court-ordered revision to an industrial inquiry commissioner's earlier ruling that the clause should go.

Cancellation of the clause was to have gone into effect last Sept. 1. But the western Canadian segment of the International Longshoremen's & Warehousemen's Union (ILWU) succeeded in persuading a federal appeals court in Ottawa to remand the report to Joseph Weiler, the inquiry commissioner, for additional consideration.

Late in the year, Weiler issued his revised report. Weiler's ruling, binding under terms of federal law passed to end an employer-imposed lockout a year earlier, contained no changes fundamentally altering his earlier finding against the container clause.

Now wiped out is a requirement, instated 18 years ago in the union-employer collective bargaining agreement, that ILWU members are entitled to unloading or loading containers destined for or originating at warehouses or other multi-customer facilities within a 90-mile radius of the port.

Hope to Regain 45,000 TEU. Theoretically, cancellation of the clause should cause some Canadian cargoes diverted through the Puget Sound ports of Seattle and Tacoma lacking such a restriction to be returned to the Port of Vancouver. But how much containerized cargo Vancouver will win back remains questionable.

The Vancouver Port Corporation is projecting that the removal of the clause will result in Vancouver's recapturing 45,000 to 50,000 TEUs during 1988 and that there is potential for an additional return of diverted cargo, said Barbara Duggan, the port's manager of corporate communications.

The projected recapturing of diverted cargo during this year is based on the potential for steamship lines presently calling at both a Puget Sound port and Vancouver to route their Canadian cargoes directly to Vancouver rather than via Seattle or Tacoma and over the road to Canada.

"We hope the two-port callers will make their usual call at Puget Sound ports but retain their Canadian cargo on board and offload here," Dugggan said. Before the clause was removed, it cost about $300 for a carrier to have a container moved between Vancouver and Puget Sound, she said.

On a longer-term basis, Port of Vancouver officials hope that removal of the clause will persuade additional ocean carriers to consider calling directly at Vancouver.

"We feel optimistic that there may be one-port callers that traditionally have called Puget Sound that may now consider Vancouver as an additional port of call" because of export agricultural and forest product loads historically available out of western Canada, Duggan said.

Although such commodities as hay cubes, pelletized grains and dimensional lumber are not of high value in terms of carrier revenue, "the opportunities for backhaul out of Vancouver become more cost effective" if carriers can avoid clause-caused longshore stuffing charges or Puget Sound diversion expenses, she maintained.

U.S. Ports Not Worried. On the other hand, it is the contention of officials at the ports of Seattle and Tacoma that removal of the container clause—during these days of the trend toward load centering—will not result in a significant shift of Canadian cargo back to Vancouver.

> *"Obviously, some of that business is going to go back up to Vancouver. But with bigger ships, there's going to be more load centering. It's difficult to assess what the net effect will be."*

"I don't think it's going to have that much effect," said Larry Killeen, executive director of the Port of Tacoma. "Obviously, some of that business is going to go back up to Vancouver. But with bigger ships, there's going to be more load centering. It's difficult to assess what the net effect will be.

"I think there's going to be less dual calling," he said concerning carriers that call on both Puget Sound and at Vancouver.

This particularly will be the case for ocean carriers having dedicated container trains, he believes.

Killeen noted that Maersk Line, Tacoma's second-largest container carrier customer after Sea-Land Service, last year abandoned direct calls at Vancouver. Maersk now handles all of its transpacific Canadian cargo through Tacoma.

American President Lines at Seattle and Sea-Land at Tacoma also handle all of their transpacific Canadian cargo through their respective Puget Sound ports.

Mic Dinsmore, director of the Port of Seattle's marine division, has said repeatedly that removal of the container clause would not automatically result in a significant amount of Canadian cargo being diverted back to Vancouver.

Other factors adversely affecting Vancouver's ability to efficiently handle containerized cargo, Dinsmore has said, include a lack of state-of-the-art facilities at the port, a lack of double-stack container train service between Vancouver and eastern Canada, and continued federal government control over certain Vancouver port decision making.

By contrast, he has noted, Seattle and Tacoma ports are highly autonomous and responsive to carrier requirements.

However, the Port of Vancouver and private terminal operators there, particularly Vanterm-operating Empire Stevedoring Company, Ltd., recently have undertaken terminal upgrading projects.

Vancouver TEU Count. Duggan, at the Port of Vancouver, noted that the port has just concluded a record container handling year—even with the container clause in effect for the entire year.

Volume in terms of TEUs exceeded the 1986 total of 222,781 by about 25 percent.

Latest-available figures showed Vancouver's TEU count was 256,363 at the end of November.

'Gain Sharing' Clause. While there were no substantive changes in Weiler's revised report with respect to the container clause itself, his ruling contained one key change designed to make the loss of the clause more palatable for longshoremen.

Weiler previously recommended that the union and employers jointly administer a new "gain sharing" program "to directly share in some of the prosperity that should be generated by the removal of the clause."

The revised report provides that this program will be administered only by the union.

The "gain sharing" arrangement provides that for every container handled during any calendar year over the 1987 base level of activity, longshoremen will be compensated—75 percent in the form of wage enhancement and 25 percent in the form of training.

This program is in addition to Weiler's ruling setting up an employment guarantee program aimed at protecting container handling longshoremen from any reduction during the next five years in hours caused by the loss of the container clause. ▮

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Econships Now Available For Sale, Charter

Creditors buy U.S. Lines' Econships at auctions in New York and Seattle. Container lessors get boxes back as off-loading begins. By Elizabeth Canna

A chapter in the life of United States Lines' giant Econships was closed, and another begun, on Monday, December 21 of last year, when eight of the vessels were sold at federal marshal's auctions in New York and Seattle.

The four-year-old ships were sold for $4 million each, less than 10% of their original purchase price of $47.5 million.

While Citibank purchased five of the vessels (four in New York and one in Seattle) and Bank of America took the other three (two in New York and one in Seattle), both financial institutions were bidding on behalf of Econ Associates Limited Partnership, a consortium of seven banks who held first preferred mortgages on the Econships.

There were no counterbids placed for any of the eight vessels.

The December 21 auctions gave Econ Associates complete control over the Econship fleet, since the group had already picked up the remaining four sister-ships at auctions in Hong Kong and Singapore last August.

Containers Offloaded. Within a week of Econ Associates taking full control of the Econship fleet, an agreement between Econ Associates and owners of the containers still on board the vessels was approved by the court.

The agreement called for Econ Associates to contribute $25,000 per ship in New York and $12,500 per ship in Seattle towards the cost of having the vessels repositioned so that the containers could be off-loaded and returned to their owners. The Econships were described in the auction documents as having a capacity of 2,129 forty-foot containers.

The off-loading began on both coasts the week of January 4.

The next step, presumably, is to ready the ships for sale or charter, but as yet there has been no confirmation on what route Econ Associates will take.

The industry is rife with expectations that Sea-Land Service will either purchase the vessels or take them on long-term charter, and then enter into a cross-charter agreement with Nedlloyd and Trans Freight Lines.

The list of possible candidates other than Sea-Land is small. The Econships come under U.S. Maritime Administration jurisdiction and MarAd has mandated the vessels must be kept under U.S. ownership.

It was because of this mandate that MarAd turned down an offer by Daewoo of South Korea to purchase the Econships. Daewoo built the ships in 1984 and holds second mortgages on the vessels.

Outstanding debt owed the members of Econ Associates is estimated at $158 million. The members of Econ Associates are Citibank, Bank of America, Chemical Bank, Continental Illinois, Bankers Trust, Marine Midland and Security Pacific National Bank.

At the Sale. The sale had most of the trappings of the typical last-minute holiday shopping crush.

The crowd was certainly there—standing room only in a smoke-filled conference room.

So too, were the long waits, which at times seemed interminable: 35 minutes for the marshall to read the initial court order and 30 minutes of paperwork between each auction as the ships were sold off individually.

Passing the time, in fact, became a challenge. One attorney, who was fortunate enough to have brought the *New York Times*, finished the crossword, while a group of bankers listed their wives' names to see if any were suitable for renaming the Econships.

The only missing ingredient, which would have completed the holiday atmosphere, was that the crowd was not there to buy. There were only two bidders; and in reality there was only one. Both bidders, Citibank and Bank of America, were acting on behalf of Econ Associates, a limited partnership of major U.S. Lines creditors.

With a selling price just about par with scrap value, had the purchasers been anyone other than the creditors, it would have proved that the Econships had been aptly named. ■

Edward V. Hickey

FMC Chairman Edward V. Hickey Dies At Age 52

Federal Maritime Commission chairman Edward V. Hickey, Jr. died Janaury 9 at his home in Falls Church, Virginia, of an apparent heart attack. He was 52.

Hickey had served as FMC chairman since November of 1985. Prior to his nomination by President Reagan for the FMC chairmanship, Hickey served on the White House staff, which he joined in January of 1981 as deputy assistant to the President and director of the White House military office. In February of 1982, he was promoted to assistant to the President, a job he held up to the time he became chairman of the FMC.

While not taking a high public profile as FMC chairman, Hickey earned a reputation as strong enforcer of the 1984 Shipping Act and the FMC's drive to counter foreign government restrictive practices in the U.S. foreign trades. Hickey also is credited with a number of organizational changes at the FMC which have enhanced the agency's efficiency and effectiveness.

Hickey was born in Dedham, Mass. on July 15, 1935, and attended local schools in the Dedham community. He was a 1960 graduate of Boston College in Chestnut Hill, Massachusetts.

In 1969, he joined the staff of then Governor Ronald Reagan as the executive director of the California State Police and, in 1974, following the expiration of Governor Reagan's term of office, returned to Federal service with the United States Department of State, serving as a Foreign Service Officer, as the Assistant Director in the Office of Security, as the State Department's Senior Regional Security Officer, and as Acting Counselor for Administration at the United States Embassy in London, England. ■

'Effective Control' Issue Boils

A request from the Federation of American Controlled Shipping to include all "effective U.S. controlled" ships under the Maritime Administration war risk insurance program is expected to draw fire from U.S.-flag maritime industry. *By Tony Beargie*

That long-standing tension between the regular U.S. flag merchant marine (manned by U.S. seamen) and the large bloc of shipping tonnage owned by Americans but registered abroad is about to surface again in Washington.

The roots of this latest potential power play are wedged in what at first appeared to be a low-key Maritime Administration proposal to bring a limited number of Bahamian-registered ships under the agency's war risk insurance program. That was in October.

Then, in December, came a letter from the Federation of American Controlled Shipping (FACS)—a long-standing target of U.S. maritime labor unions—asking that *all* effective U.S. controlled vessels be included in the government's war risk insurance program.

Since the FACS request became known during the Christmas holidays, those well-known foes of "flags of convenience shipping" had not formally taken on the issue before the Maritime Administration. However, it is almost a certain bet that they will be challenging the FACS move.

One of the big political arguments for justifying government support for the U.S. merchant marine is in the national defense arena. Maritime unions and U.S. flag companies have successfully argued over the years that the large fleet of ships owned by Americans but registered in such low-cost registries as Liberia, Panama and other registries would be at little value in times of war or national emergency and that it is absolutely vital to maintain a top-flight U.S. flag merchant marine for this purpose.

Future Court Battle Possible. The NMU and the AFL-CIO Maritime Committee are strongly opposed to including all flag of convenience shipping under the war risk insurance program, the AFL-CIO Maritime Committee's executive director Talmage E. Simpkins told *American Shipper*.

In a nutshell, NMU takes the position that the tonnage in question is not requisitionable and therefore cannot be included in the government's war risk insurance program and cannot be considered as available for national defense purposes. The union is moving on another front to change MarAd's current policy of recognizing this tonnage as constituting a reservoir for national defense purposes. (For coverage, see the Washington Report column, this issue.)

The NMU challenges the definition of what constitutes "American controlled" and maintains there is no statutory authority for either a definition or the fleet itself.

FACS chairman Philip J. Loree opened up the dispute with the NMU over the effective control issue in a late December proposal to MarAd.

While throwing his organization's support behind a MarAd proposal to bring in a number of American controlled, Bahamian registered vessels under the war risk insurance program, Loree called for expanding the program to include all EUSC vessels.

"The policy that American controlled vessels registered in certain foreign countries are deemed to be under Effective U.S. Control dates back to the early days of World War II," Loree said in a letter sent to the Maritime Administration.

The Issues. Loree argued that between 1955 and 1975 all EUSC ships were automatically eligible for war risk insurance in exchange for the owners' promise to make their vessels available to the U.S. government in times of war or national emergencies.

But, in November of 1978, MarAd issued new regulations, which Loree says are "unduly restrictive." Under these guidelines only the following classes of ships are automatically eligible for the war risk program:

- Ships taking part in the U.S. foreign commerce (defined as 30 percent of the tonnage carried and determined on a semi-annual basis).
- Product tankers up to 90,000 deadweight tons, with particular emphasis on handy size tonnage with relatively high speed and refueling at sea capability.
- Dry bulk cargo vessels.
- Heavy lift vessels.
- Refrigerated vessels and other classes of ships in short supply in the U.S.-flag fleet.
- Other vessels with special capabilities."

This regulatory approach has been, in practice, self-defeating," the FACS chairman told MarAd. By limiting the tonnage under the program, MarAd has in effect said that most of the EUSC fleet, "despite their obvious value" to the national defense, is not eligible, Loree argued. "As a result, instead of encouraging commitments from owners, the regulations discourage them," Loree said.

The vessel classifications nailed down in the regulations "also seem naive," Loree continued. "Under the regulations a 150,000 deadweight ton gearless bulker is expressly deemed automatically eligible for war risk insurance, while a 150,000 deadweight ton product or crude tanker is not. Whatever rationale was in the minds of the authors of the regulation in 1978, it makes little or no sense in today's world."

Citing MarAd statistics issued January 1 of 1987, Loree noted the EUSC fleet is composed of 201 Liberian flag ships totalling 21.6 million dwt; 62 Panamanian flag ships totalling 5.4 million dwt.; 26 Bahamian flag ships totalling 3.8 million dwt.; and three Honduran flag ships totalling 21,355 dwt. This adds up to 292 vessels of 30.8 million dwt.

"This is a sizable complement to the active private and government owned U.S. flag fleet of 369 ships of 15.9 million dwt.

All of these ships are available to the U.S. government to support the military and the national economy. Making them all eligible for war risk insurance would enhance the country's sealift readiness," Loree told MarAd.

Vanuatu Registry Wants Recognition. Bearing out the increasing popularity of open-registry shipping, the small Republic of Vanuatu located just south of the Solomon Islands in the South Pacific wants to be recognized, along with Panama, Honduras and Liberia, as an acceptable ship registry for the U.S. government's war risk insurance program.

Vanuatu's Deputy Commissioner of Maritime Affairs in New York, Clayton B. Wentworth, insisted in a telephone interview that his "primary objective" in sending the letter to MarAd was to support the proposed rule regarding the Bahamian vessels coming into the war risk program.

However, Wentworth does indeed want his registry recognized by the U.S. for war risk insurance.

The six-year-old Vanuatu registry "has grown rapidly and in a sound manner," Wentworth told MarAd. He noted that about one-fourth of the registry (or 50 vessels) are owned by U.S. citizens or U.S. corporations or are vessels under the operational control of U.S. citizens.

When the registry was set up six years ago, Vanuatu's maritime regulations were set with the idea of fully conforming to U.S. requirements, Wentworth said.

One major point is that none of the vessels in the registry can be requisitioned to any government other than the U.S., Wentworth pointed out. "Additionally, nowhere in Vanuatu law are (there) legal constraints that prevent U.S. repositioning," he said. ■

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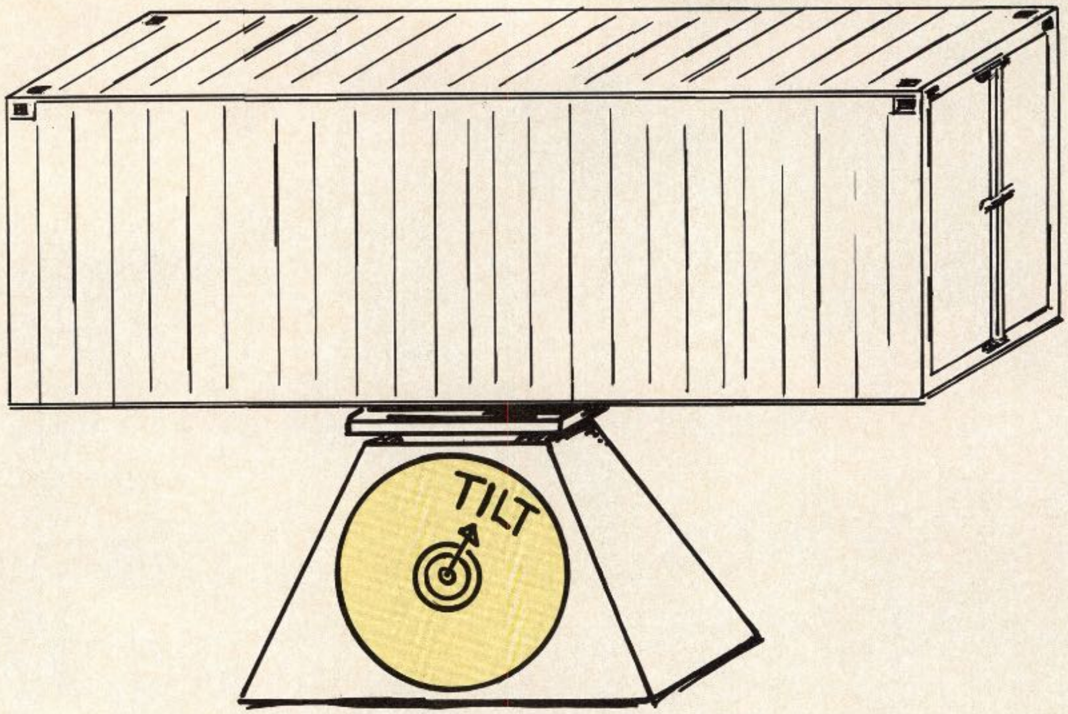


Overloading Boxes Is Risky Business

Conferences defend their vigilance in the matter. TWRA is scrapping per-container rates but shippers can get them elsewhere. *By Richard Knee*

How far should transportation companies go in preventing container overloads?

Some shippers feel it isn't the carriers' business.

One traffic executive, informed by an ocean conference that per-container rates were giving way to any-quantity rates, complained to the conference chairman, writing sardonically that he hadn't been aware the carriers were supposed to play policeman for government regulators.

In response, the chairman admitted that the policy was by no means altruistic. The carriers were, he asserted, attempting to protect themselves on both the civil and the criminal fronts.

The bottom line, nevertheless, is that per-container rates aren't going to disappear soon, if at all. The reason is simple enough: the marketplace.

(Additional articles on heavy containerloads are in the January 1988 *American Shipper*, pages 26 and 32.)

Safety Issue. The paramount issue, conference and carrier executives told *American Shipper*, is safety.

Loading a container beyond its prescribed weight capacity carries the risk of mishaps that can hurt people and damage property.

And all parties to a given shipment expose themselves to the inherent liability risks, so it pays to minimize them.

Even independent ocean carriers that are retaining per-container rates agree on that point.

"There is a need to educate on both sides on the need to not overload," remarked Thomas Teofilo, Long Beach, CA-based senior vice president of Korea Shipping Corporation, which operates outside the major transpacific conferences and "still has many per-weight or per-measurement as well as per-container rates."

Likewise, Evergreen Marine Corporation has "advised people that containers cannot be overloaded," said Robert D. Kleist, adviser and former executive vice president for the carrier in Los Angeles.

> *"Vessels are now sailing out of the Pacific Northwest at 100% of deadweight capacity but only 67% of their slot capacity."*

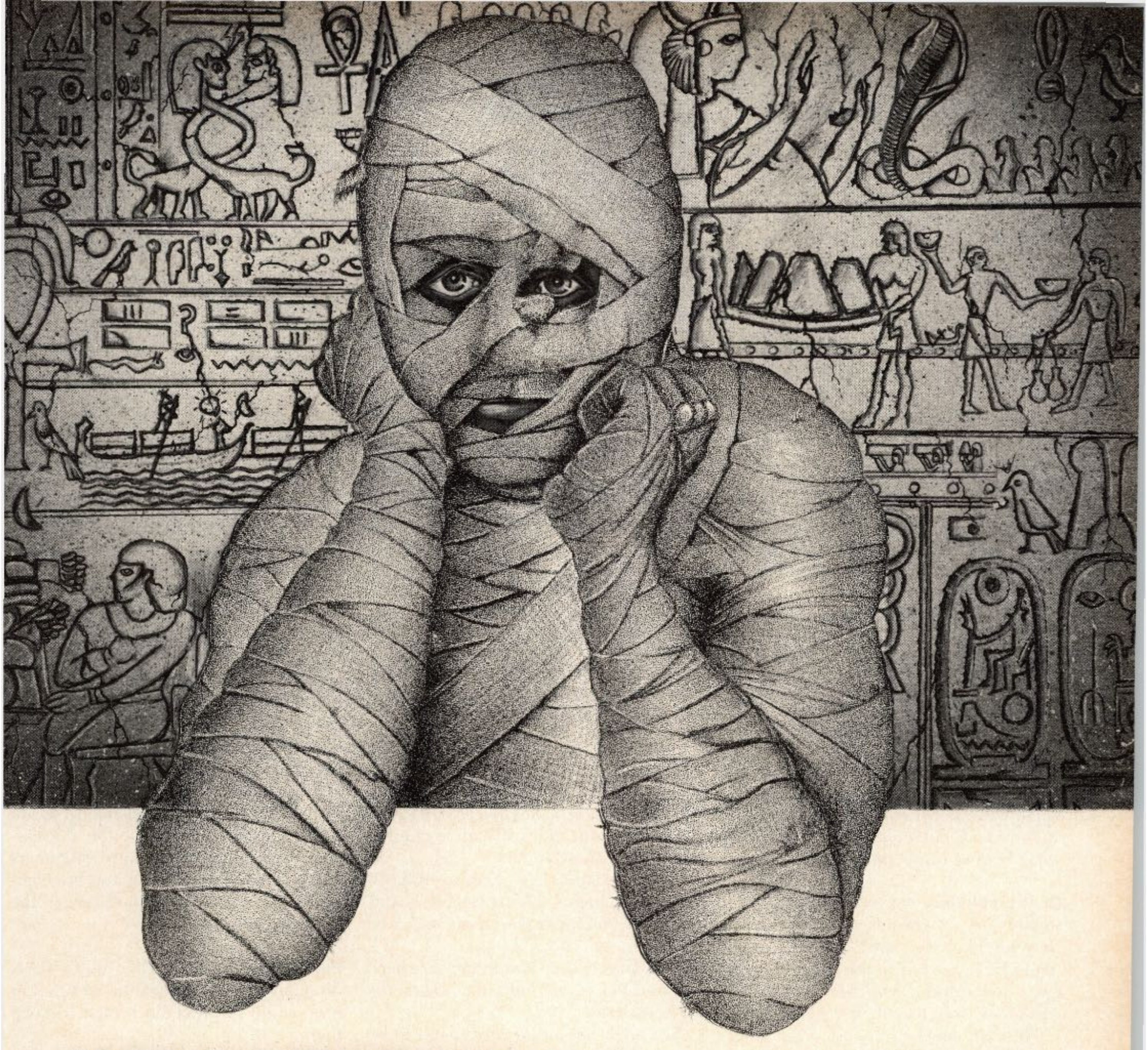
Illustrating the gravity of the problem, a veteran maritime observer noted that vessels "are now sailing out of the Pacific Northwest at 100% of deadweight capacity but only 67% of their slot capacity."

Conference Inspections. Mindful of the human and property risks overloading poses, the conferences covering the trades between the U.S. North Atlantic and North Europe regularly inspect the containers their members carry, according to Manuel Diaz, the conferences' executive director.

The major transpacific conferences do not have such an examination program, but the Transpacific Westbound Rate Agreement might well start one if current efforts to curb overloading fail, TWRA managing director Ronald B. Gottshall said.

"Overloading boxes is very dangerous," Diaz said.

For example, he said, there have been instances of corner posts coming out of containers too heavy for their cranes,



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causing the doors to burst open.

Some overseas ports are too small to host the big vessels dominating the container-shipping lanes, Gottshall noted, and containers must move to those ports "on small vessels whose self-contained cranes are not equipped to handle" containers that are too heavily loaded.

The aforementioned maritime observer added that overweight containers can damage ship cell guides and, because overloadings might go undetected, can "upset the balance in storage."

Overloaded containers can also damage containers under them in yards or on stack trains, the observer pointed out.

The rate-making groups Diaz oversees—the U.S. Atlantic-North Europe Conference and the North Europe-Atlantic Conference—regularly examine shipments to be sure the freight descriptions on documents are accurate as well as to check for the cargo weight, he said.

The conferences "rebill" in cases of misdescription or "misapplication of weights," he said.

The TWRA has scrapped per-container rates in favor of any-quantity rates—i.e. shipping prices based on "any form of measurement other than per container," in Gottshall's words—but that marks "only ... the first step" in dealing with the overloading problem, he said.

If that fails to alleviate the situation, he said, "maybe we should put a limit on what you (shippers) can load, charge 'contraband' costs and back it up with some kind of inspection program."

Civil Liabilities. A party suffering personal injury or whose cargo is damaged is quite likely to sue "anybody who might be involved" in the shipping process, including "whoever owns the equipment," Gottshall observes.

This, of course, means ocean liner companies, which for the most part provide containers.

In a mishap case, Gottshall continued, "under the old 'deep pockets' theory, you might be sued, even though you only furnished the transportation and a box."

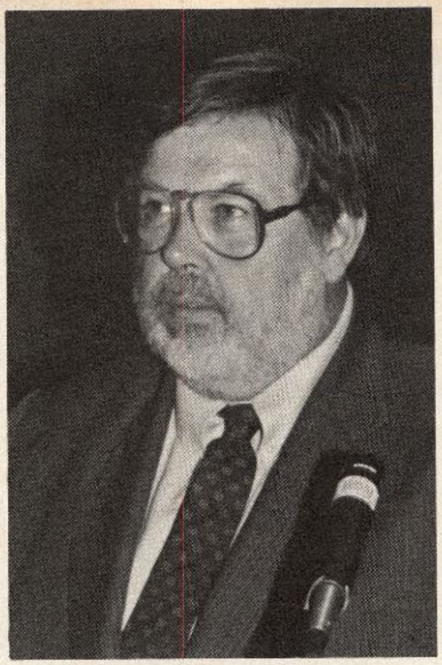
There is also a "secondary exposure level" at harbor or inland cargo-transfer points, he noted.

If a mishap occurs during the transfer, he said, there is the question of who has "custody" of the equipment at the time.

Flouting the Law. "A person would have to be absolutely insane," Gottshall declared, "to have any involvement with anything that runs in conflict with the law."

There are, indeed, laws both here and abroad that establish ceilings on container and trailer weights. And those laws are frequently broken.

"One (ocean) carrier amassed $1 million in fines in a recent year," the maritime observer said. South Korea, according to both him and Gottshall, is coming down hard on offenders.



"I understand Korean authorities are giving very hefty tickets." Japan is starting "sporadic enforcement."

— Ronald B. Gottshall
Managing Director
TWRA

"I understand they (Korean authorities) are giving very hefty tickets," Gottshall said, and Japan is starting "sporadic enforcement."

The costs in time and money are hard to pin down on an individual basis, the observer said.

In Korea, he said, trucks found to be hauling overweight containers are detained on the spot until the excess freight is devanned.

"How much time and money are lost varies," he noted. "It depends on how far the truck has gotten from port, how long it will take another truck to get there, where there is another truck available, whether it's a Sunday. There are just all sorts of factors."

In this country, the western states, especially those on the coast, are "tightening up" in enforcing load-limit laws, Gottshall said.

"The per-box rate is competitive pricing," explained KSC's Teofilo. "It is in the marketplace. I don't see how the TWRA can effect the change."

"In California, fines run very, very heavy," he said. "In Oregon, if you're 1,000 pounds over the load limit, (peace officers) have the discretion to put you out of service ... until another truck comes to take the excess."

While Oregon law stipulates maximum gross cargo weight only, he added, California law not only establishes a weight ceiling but also sets it on a per-axle basis.

The Economics. Taken by itself, obviously, the cost of a shipment decreases as the amount of cargo per container rises, where the shipment is under a per-container rate.

The traffic executive, in his letter to the conference chairman—both shall go unidentified—complained that the shipping-cost increase stemming from a switch to any-quantity rates would boost the landed cost of the freight and pare the amount the firm's customers could afford to purchase.

"We will be forced to seek more domestic markets," the traffic executive said. "About 40%" of his company's volume would shift to the domestic market from overseas, he said.

But, countered the maritime observer, "the guy who overloads displaces somebody else's container" and actually puts the carrier between the proverbial rock and hard place.

Such a situation "forces the carrier to choose what it leaves at the docks—somebody's cargo or empty containers needed for repositioning for his high-value (United States-bound) cargo," the observer said.

Per-Box Rates Stay. While the TWRA is doing away with per-container rates, at least some outsider lines plan to keep them.

"The per-box rate is competitive pricing," explained KSC's Teofilo. "It is in the marketplace."

Consequently, even considering the overloading problem, "I don't see how the TWRA can effect the (rate system) change," he said.

Evergreen offers both lump-sum and per-container rates and will continue to do so "unless we can find the advantages of conversion," said Tommy Tam, business division senior vice president at the carrier's North American headquarters in Jersey City, NJ.

Doing away with per-box rates would not necessarily eliminate overloading, Kleist observed.

"There isn't any blanket solution," he said.

At the same time, though, Evergreen "is not going to be a party to violating over-the-road regulations or any other regulations," he declared. ■

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Contract Logistics

Will It Become a Growth Industry? Should You Farm Out Distribution?

By Dr. David L. Anderson
Vice President, Logistics Practice
Temple, Barker & Sloane, Inc.

QUESTION: Which corporate assets have the lowest return on investment? If you guessed the corporate headquarters (shame on you), you're wrong. Physical distribution assets—warehouses, vehicle fleets and material handling equipment generally produce little cash flow, tie up scarce corporate funds, are not fully utilized, and do not meet investment hurdle rates.

So why do companies continue to invest in distribution assets? Reasons vary, but include the following:

> *"It's our business—distributing products to customers."*
>
> *"We get competitive advantages from our distribution system."*
>
> *"No one can (or will) distribute product for us."*

Company executives are increasingly realizing that owning and operating distribution systems may not be critical to corporate success. In fact, just the opposite may be true. Successful corporations are focusing their assets on what they do best—manufacturing, retailing or providing services—and purchasing other functions (payroll/benefits management, communications, and distribution) from outside vendors.

But why would you turn over your distribution operations to an outside company? Often, customer service, not asset redeployment, is an important reason. Motorola, seeking to reduce extended equipment failures at customers because of repair part shipping delays, recently shifted its parts distribution to a just-in-time delivery specialist. Skyway Systems, Inc., a California-based transportation firm, now runs Motorola's "critical part" logistics center in Los Angeles. Skyway receives customer or technician orders via Motorola computers, picks and packs the item for air freight shipment, and monitors the shipment enroute through final delivery. Motorola executives report that customer satisfaction has substantially improved and that critical parts distribution costs are lower, due to improved inventory and shipment control under the Skyway logistics management system.

Such shipper behavior is not an isolated case or a passing fad. European and Japanese companies have long been relying on outside companies to perform specialized distribution operations. Many U.S. companies, including Sears, Safeway and Xerox, are currently evaluating the benefits of substituting outside distribution companies for existing internal logistics operations. For example, Sears recently shifted its transportation management function to a subsidiary, Terminal Freight Handling, Inc., in an effort to make its proven delivery operations more responsive to marketplace requirements.

Changing Logistics Needs. Logistics management in the United States is in the middle of a major revolution. A growing body of evidence indicates that past management practices may not be appropriate for the future:

- Carrier and warehousing rates are bottoming out and, as industry shakeouts continue, these rates are beginning to rise.
- Carriers, third parties and warehouses are all offering a wider range of distribution services, competing with in-house logistics operations.
- Global competition for markets is creating increased pressures on managers to control costs while improving service, often on a worldwide basis.

These changes have put logistics managers in a quandary. Company executives expect logistics managers to continue cutting distribution costs while making service improvements. But how can managers function with all these external changes over which they have no control?

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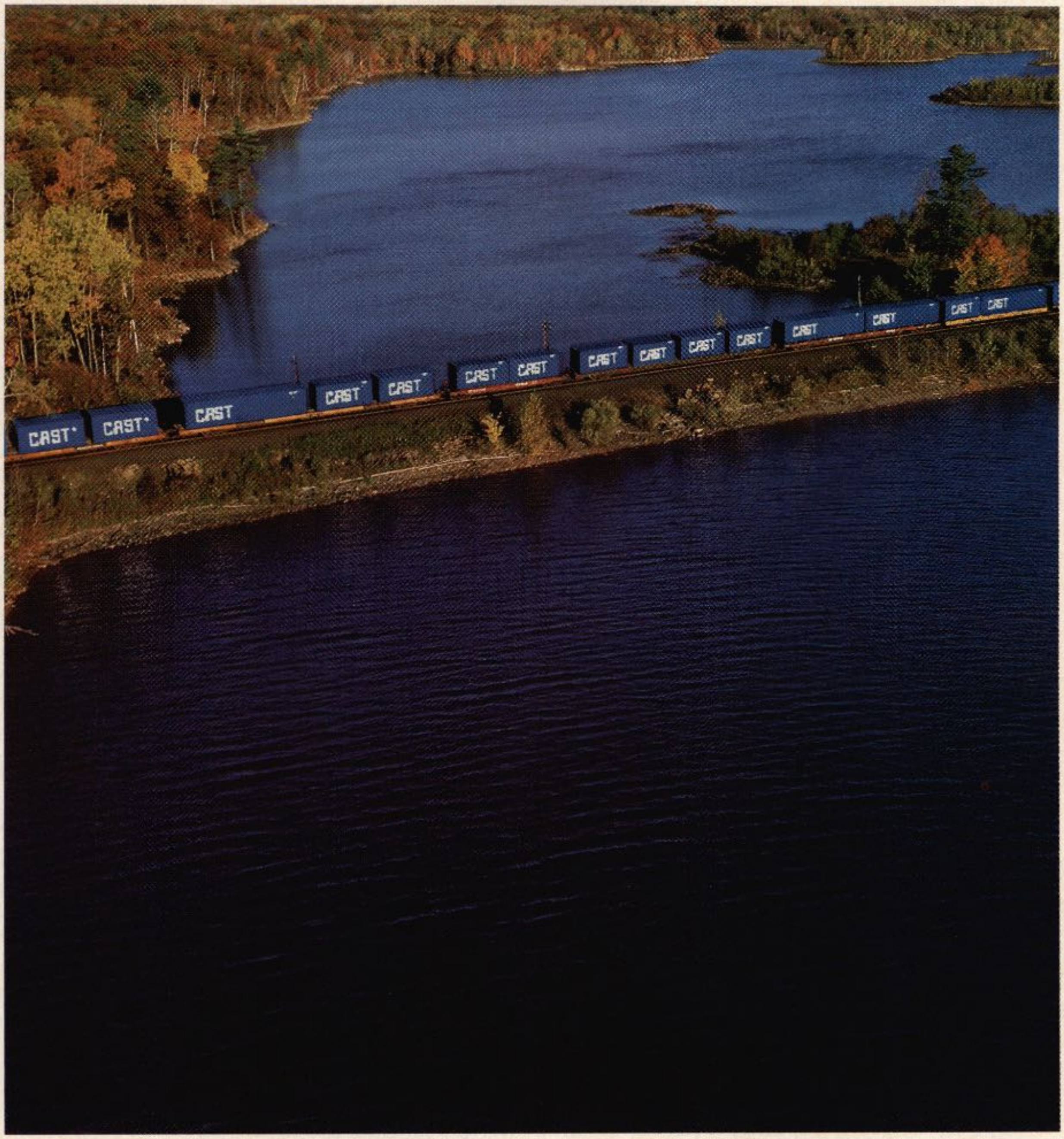

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The Blue Box System of Container Shipping

One emerging option under scrutiny is the use of contract logistics services.

What Is Contract Logistics? Contract logistics is the use of outside distribution companies (carriers, warehouses or third parties) to perform all or part of a company's product distribution function (including transportation, storage, inventory control, customer service and logistics information networks).

A company would negotiate a service contract with a vendor, normally for one or more years, that covers exact services to be provided, fee structure, performance measures, and penalty/default clauses. Distribution assets and/or staff may also be transferred or sold to the vendor. The contract would also contain clauses to protect the company from interruptions in its distribution operations due to vendor problems, including performance bonds.

How is Contract Logistics Different From Existing Offerings?

- Integrates more than one distribution function
- Vendors do not take a position in inventory (as do wholesalers or distributors)
- Trucks, warehousing, material handling assets all could be provided
- Assets owned/controlled by vendor
- Total labor and management services provided
- Specialty services (e.g., inventory management, product preparation) available

Make Versus Buy Decisions. As mentioned earlier, the renewed corporate focus on strategic operating requirements (i.e., production and marketing) has lead U.S. firms to examine satisfying their product distribution requirements through the use of external vendors.

This trend has been encouraged and accelerated by innovative product offerings by carriers, warehousing companies and other logistics services companies as a result of transportation deregulation.

The concept of "one-stop shipping," whereby a carrier or third party assumes control over product shipments from vendors to the factory or store floor, is a direct response to shipper desires to shed logistics responsibilities to outside companies.

Similarly, contract logistics services are viewed as a major source of further gains in logistics efficiency for the 1990s. For companies that have already benefitted from cost-based logistics innovations, opportunities to increase management sophistication and administrative productivity through integrated logistics channel management are an important benefit of contract logistics. For companies that have not actively pursued logistics cost improvements, sophisticated functional expertise available from contract logistics providers can help them realize these savings.

In either case, further efficiencies will be gained through the sophisticated logistics information systems provided by contract logistics vendors, in the form of highly innovative material and product flow control systems and strategic decision support systems to help coordinate product logistics operations.

European Experience. Contract logistics had its origins within the last ten years among innovative European multinational companies. Unilever, N.V. Phillips and Rank Xerox have long been users of contract logistics services. Unilver, for example, has spun off its distribution assets by division to form new contract logistics companies (for example, the Tibbett & Britten Group) that are owned and operated by former Unilever distribution managers.

Perhaps the leading contract logistics services company in the world today is **National Freight Consortium (NFC)**, a highly successful ($1 billion in sales) United Kingdom-based transportation company. Originally part of British Rail, NFC was sold to its employees in 1982. NFC provides contract distribution services to its clients through dedicated logistics facilities and delivery operations throughout the United Kingdom.

Typical NFC clients represent a wide variety of food and retail accounts, including:

- **Whitbread,** a major brewer and pub operator, for which NFC manages product distribution facilities and a direct delivery system for all pubs in the southeastern United Kingdom.
- **Sainsbury's,** a leading grocery chain for which NFC operates dedicated warehouses and a store delivery system.
- **Marks & Spencer,** a general merchandise retailer, for which NFC provides dedicated warehousing and delivery to stores via Fashionflow, NFC's packaged clothing distribution company.

Key NFC Contract Logistics Service Attributes

- Total physical distribution services provider
- Dedicated or shared (multi-client) contract operations
- Services priced on a cost plus management fee basis
- Open-book financial policy with customers
- Buffer between client company management and organized labor
- Owns or leases all required distribution assets

U.S. Providers. Relatively few companies currently provide contract logistics services in the U.S. market. Several major transportation companies (such as CSX, APL and the UP) have recently extended their functional breadth in such a way that suggests eventual contract logistics capabilities. However, existing offerings do not match the range or complexity of NFC's U.K. contract


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logistics services.

Ryder System, Inc. (primarily through its Ryder Distribution Resources subsidiary) and **Leaseway** (through its Transco and Automotive Distribution and Transportation Divisions) are both active participants in the emerging contract logistics marketplace. Ryder has developed "port to factory floor" inbound parts contract logistics packages for a number of Japanese auto manufacturers building plants in the U.S. Leaseway's Transco division provides customized truckload with enroute warehousing and stop services for several food retailers and manufacturers.

A relatively new entrant to the contract logistics services market is **Caterpillar Logistics Services, Inc. (CLS)**, a wholly owned subsidiary of Caterpillar, Inc. CLS offers shippers all the services required to move a product from its point of origin to its point of use, including warehousing, transportation, distribution support services, logistics systems and systems design, and consulting services. CLS will handle virtually any industrial good, component, replacement part, or non-perishable product through its 23 distribution centers located in 11 countries (all linked by a proprietary worldwide telecommunications network).

Contract Logistics Users. As mentioned earlier, a number of major U.S. companies, including Sears, Safeway and Xerox are currently evaluating the benefits of contract logistics services. The following case studies are examples of typical contract logistics operations in the U.S. today.

Ryder Distribution Resources, a subsidiary of Ryder Truck Rental, is slated to provide just-in-time delivery of auto parts from U.S. manufacturers to the new **Toyota** manufacturing plant in Georgetown, Kentucky. Scheduled to begin automobile production in mid-1988, the plant will produce 200,000 Camry models annually when at full capacity.

To consolidate parts and supplies from companies extending from the Gulf of Mexico to the Great Lakes will require a dedicated truck fleet as well as an inbound staging facility near the plant. Ryder will be responsible for all aspects of the turnkey operation, including verification of correct deliveries and all required inventory control procedures and paperwork.

Transco, a division of Leaseway, operates the Sacramento region food storage and distribution system for **Safeway Stores.** Transco owns, manages and supplies all labor for the Sacramento operation and is responsible for receiving, storage, shipping to stores and inventory control (including client information systems).

Because of the generally long-term nature of customer requirements, Transco prices its services on a contract basis. Facility-related charges are priced as either a total cost per unit or an agreed-upon (budgeted) total cost.

Transportation costs are priced as either cost per total miles run (dedicated requirements) or cost per load (non-dedicated, overflow requirements). In either case, user/provider financial relationships are on a controlled, open book basis.

Caterpillar Logistics Services has logistics service agreements with both **Land Rover Parts & Equipment, Ltd.** in the United Kingdom and with **Range Rover of North America, Inc.** These agreements, signed in 1986, provide worldwide parts warehousing and distribution services for the British-built Land Rover, Range Rover and freight Rover vehicles. Handling over 37,000 individual parts to 450 worldwide "ship to" destinations, CAL guarantees rapid (48-hour) delivery for vehicle off road (VOR) orders as well as on-time performance for dealer stock orders. In addition, CLS provides Land Rover with detailed logistics monitoring and control information, helping planners avoid parts out of stock situations and identifying problem (high failure) parts and components on a regional basis.

Evaluating Contract Logistics Offerings. Companies interested in exploring the use of contract logistics services should be sure that carrier or third-party offerings exist in reality and not just on paper. One way to ensure that the proposed services are successfully in place is to visit existing client facilities to observe operations and talk to client managers about vendor strengths and weaknesses. In addition, companies should satisfy themselves that the provider meets all the criteria in the following checklist:

Contract Logistics Service Checklist

( ) Capability to integrate transportation and warehousing (handling and storage)

( ) Ability to manage third-party transportation services

( ) Innovative information systems for shipment monitoring and control

( ) In-place, experienced logistics management professionals

( ) Long-term commitment to contract logistics services

Finally, in order to convince senior management that outside distribution services are a viable option, companies should determine the quantifiable (as well as qualitative) benefits of shifting to contract logistics services. Examples of typical benefits are detailed below. Managers should be careful not to overstate potential benefits to avoid downstream credibility problems.

How Do Users Benefit?

- Lower operating costs through more focused, profit driven professional distribution management
- Off balance sheet, but dedicated, distribution assets providing a high degree of service
- Arms-length relationship between client and distribution labor
- Access to innovative product logistics expertise and options

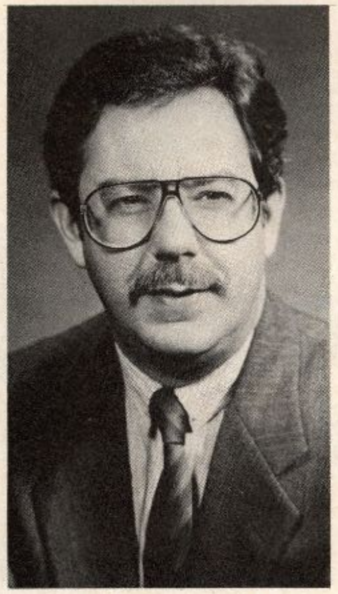
A Final Caution. Managers should not view contract logistics solely as a solution to rid themselves of inefficient or costly logistics systems.

Contract logistics can add substantial flexibility to serve new markets or customers that may not "fit" into existing logistics operations.

For example, promotional activity or a new product launch may best be accomplished using contract logistics operations provided by companies (such as American Delivery Systems, Inc. in Michigan) that specialize in offering such services. For example, Maxwell House Coffee uses American Delivery Systems to distribute its promotional supplies and offerings to supermarkets nationwide.

Contract logistics services will eventually emerge as a key differentiating factor among companies. With customers demanding more flexible services, new product introductions increasing (product lifetimes decreasing), and freer markets leading to more intense competition, a company will have to use some form of contract logistics in order to move quickly to meet evolving needs.

David L. Anderson



Anderson

Dr. Anderson is a vice president in the transportation and logistics group at Temple, Barker & Sloane (TBS), where he is director of the logistics practice and a specialist in logistics, transportation economics and industry analysis.

Over the last ten years, Dr. Anderson has directed a wide range of logistics planning and implementation studies for both domestic and international clients, including plant location analyses, distribution systems design, purchasing options, materials handling, and electronic data interchange issues.

He has also directed a number of strategic planning studies to analyze the effects of changing economic, regulatory and distribution environments on carrier and shipper operations in the 1980s.

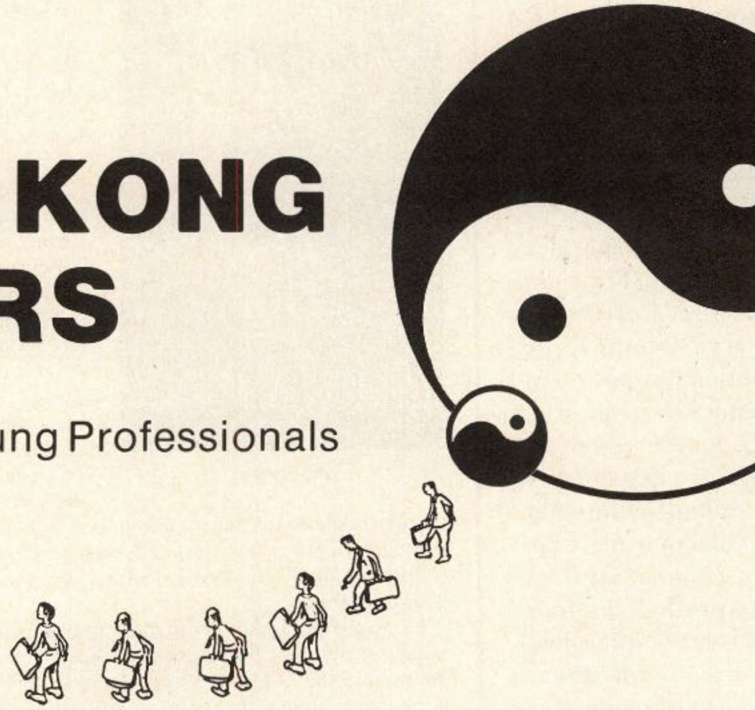
Before joining TBS, Dr. Anderson was a vice president of Data Resources, Inc. (DRI), where he founded the company's Transportation and Logistics Services. In this capacity, he helped numerous organizations to resolve problems and adapt to change through modification of logistics system strategies. He developed sophisticated traffic forecasting models that consider economic, regulatory and competitive factors in determining modal shipments by commodity. He also performed a variety of distribution cost and productivity studies focusing on the realignment of modal use strategies to lower transportation costs and improve service quality.

Earlier, Dr. Anderson was chief of industry analysis at the U.S. Department of Transportation.

Dr. Anderson has spoken in many public forums on the future of the U.S. transportation industry, including the Council of Logistics Management, the American Trucking Associations, and the Logistics Management Institute. He is a member of the American Economic Association, the Transportation Research Forum, and the Council of Logistics Management. He is currently serving on the National Science Foundation Committee on Surface Freight Transport Regulation.

HONG KONG JITTERS

An Exodus of Young Professionals



With a decade to go before the Chinese government officially takes over from the British in Hong Kong, businesses are already witnessing an exodus of nationals from key middle management positions—departures which stem from deeply-rooted but, according to many, unfounded fears. By Elizabeth Canna

The statistics give cause for concern.

During the first three quarters of last year Canada issued more than 16,000 entry visas to Hong Kong nationals. This compared with approximately 12,500 allowed during all of 1986.

Similarly, it looked as though Australia would finish out 1987 having granted nearly three times their usual annual Hong Kong average of about 4,000 visas.

In all, it is estimated that, over a three-year period, as many as 200,000 individuals have emigrated from Hong Kong.

Just who is applying for all these visas? The average profile describes someone who is between 25 and 35 years of age, educated in the United States, Canada or Europe, and employed in a middle management position by a large international business.

Most important, the applicant is old enough to have been influenced by parents or grandparents who fled the mainland during the communist revolution of 1949 and who carry a deeply rooted mistrust of the Chinese government.

Temporary Exodus? This "brain drain," as the trend of emigration has been facetiously tagged, is no laughing matter for Hong Kong-based businesses, at least for the moment.

"We've never had a turnover greater than we're having now," stated an executive with shipping interests in Hong Kong.

"In a lot of ways, it is a definite problem," said Harry Wilkinson, vice president and branch manager for Manufacturers Hanover Trust Company in Hong Kong. But, he cautioned, the problem should be put in perspective. The estimate of 200,000 emigrants only represents about 3% of Hong Kong's population of 6 million.

"It's not an issue of everybody bailing out of Hong Kong," he said. But it is a problem for certain international businesses, he added, specifically, banking, insurance, trading, shipping and legal.

While, as Wilkinson pointed out, not everyone is lining up at the consulates, the ones who are seem to be concentrated at the critical middle-management level, those who are being groomed for future leadership.

At the moment, there does not seem to be any effective way to stanch the flow. Canada and Australia, with their relatively liberal immigration quotas, seem to have exacerbated the exodus, according to Wilkinson. He believes that as long as these two nations continue to open their doors so widely, Hong Kong nationals will fill the quotas, as well as

the much smaller quotas of European nations and the United States. Wilkinson estimated that the U.S. has granted approximately 600 entry visas annually to Hong Kong citizens in recent years.

Emigration fever, in fact, has caught on enough to provide a business incentive for a team of Hong Kong expatriates who have set up a management placement firm in Canada specializing in the recruitment of Hong Kong talent, according to Ian Brett, of the Hong Kong Economics Affairs Office in New York.

But Brett, like Wilkinson, believes the problem is limited and temporary.

Both Wilkinson and Brett feel certain that many of those who are emigrating will stay away only as long as it takes to achieve the protection of a new passport, for example, three years in Canada or two years in Australia.

"Some people just want a safety net," explained Brett.

Michael Chen, vice president of sales for Orient Overseas Container Line (USA), who was born in Shanghai and raised in Hong Kong, agrees that this assessment is a "relatively accurate prediction."

Chen, however, qualified his optimism by expressing concern that Hong Kong expatriates who do stay away for an extended period will find it difficult to re-acclimate after having grown accustomed to the attractions offered by the Canadian, Australian, European or American lifestyles.

Both Wilkinson and Brett feel certain that many of those who are emigrating will stay away only as long as it takes to achieve the protection of a new passport, for example, three years in Canada or two years in Australia.

Reasons For Optimism. It is understandable that those whose businesses are deeply dependent on the historically impressive performance of Hong Kong's economy prefer to adopt the optimistic approach.

History, however, has provided mixed signals.

In his book, *Asian Stockmarkets, the Inside Story*, Anthony Rowley pointed out that Britain's agreement giving sovereignty over Hong Kong back to China meant that the Hong Kong stockmarket could either become the "principal fund-raising center within an economically powerful China," or it could decline into "eventual oblivion under the yoke of Chinese Communism."

Historic precedent is not overly encouraging. During the 1920s, many stockmarkets opened and thrived in China, most notably in Shanghai. Shanghai, in fact, had developed into an economic center whose status rivaled that which Hong Kong enjoys today.

However, after the ascendancy of Mao Tse Tung's communist regime, all evidence of what Rowley terms, "China's brief flirtation with capitalism," eventually disappeared.

There are, nonetheless, certain signs which support the optimistic view.

Beijing has guaranteed the perpetuation of capitalism in Hong Kong for fifty years after 1997.

And, as Harry Wilkinson, Michael Chen and Ian Brett all pointed out, China has never broken an international agreement.

It is the hope of many that during this fifty-year period, as China becomes increasingly involved in the international marketplace, it will come to appreciate the value of Hong Kong's capitalistic economy.

"I really feel that China is taking on a new course in history," said Chen, "to become a major trading partner in the foreseeable future."

Hong Kong, Chen continued, "is so vital as a financial center, I really don't see any change."

Indeed, China's efforts to keep up with the industrialized trading world were much in evidence recently when Zheng Tuobin, minister of foreign economic relations and trade, announced that China will post a trade surplus for the first time in three years. Estimated at \$4 billion, the surplus signifies a growth in exports of finished goods—a departure from China's traditional reliance on imports of manufactures and exports of raw materials.

Similarly encouraging signs can be found in recently released productivity statistics which indicate China's gross national product for 1987 will show an increase of 9% over 1986.

Hong Kong's firmly established position as one of the world's most active ports increases its value to China and is likely to be respected, according to Wilkinson.

"Hong Kong will be desperately needed as an entrepot for goods going in and out for at least the next twenty years," he said.

Of similar opinion, Michael Chen sees Hong Kong developing even further as a gateway to the tremendous yet-to-be tapped potential of mainland China.

In the course of its growth, Hong Kong has in fact become very international, Chen pointed out. He said, for example, that American expatriates in Hong Kong now outnumber the British expatriates, 16,000 to 14,000.

And it is just this international influence that will, in Chen's view, prove invaluable to China.

Deep-Seated Fears. Despite this optimism, however, it is impossible to ignore the fact that the exodus of so many relatively young Hong Kong citizens originates, for the most part, from some very basic, very deep-seated fears.

The emigrants, by and large, were raised by elders who helped build Hong Kong into the bastion of capitalism it is today. But these elders were the very people who turned to Hong Kong after fleeing China and certain oppression under Mao's communist rule.

The memories, the bitterness, and the mistrust run very deep, indeed, and have been passed along to the second generation.

"There is a lot of apprehension when you are brought up with certain fears," explained Chen.

While the parents feel they have little to lose at this stage in life, their offspring, with many productive years ahead of them, are truly fearful of losing their opportunity for economic success and personal freedom.

It is fear of the loss of personal freedoms in particular that is prompting one high-level Hong Kong-based shipping executive to proceed with plans to relocate to Australia within the near future.

No amount of logic, or examples of China's commitment to growth and development, can easily allay fears that are so securely entrenched.

Harry Wilkinson remains optimistic and pragmatic, maintaining that if China had really wanted to destroy Hong Kong it could easily have done so long ago. "They could have taken over at any time," he pointed out.

"All they'd have to do is turn off the water," said Chen.

"If things go wrong," Wilkinson said, "it will be by accident, rather than by design."

Hong Kong Stock Exchange Troubles

Bolstering the ranks of middle management is not the only dilemma confronting the Hong Kong business community these days.

As 1988 got underway, the newly appointed directors of the Hong Kong stock exchange were busy at bolstering of quite another sort: the task of maintaining international confidence in their stock market.

The reason Hong Kong's stock exchange started the year with a new directorate was the arrest on Saturday, January 2, of three exchange officials by the Independent Commission Against Corruption (ICAC). According to an ICAC announcement, the arrests were authorized "under Section 30(2) of the Prevention of Bribery Ordinance."

The three arrested officials were: Ronald Li, former chairman and current vice chairman of the stock exchange, Jeffrey Sun, chief executive officer of the stock exchange, and Donald Tsang, head of the exchange's listing department. All three were released pending further investigation.

At the time of the arrests, the stock exchange's financial secretary issued a statement naming Robert Fell chief executive for the term of the ICAC investigation. The secretary also stated that the government "has proposed to the Committee of the Stock Exchange that certain members of the Committee should distance themselves from the management of the Stock Exchange until such time as the ICAC's investigations have been completed."

Fell, in a statement also issued the day of the arrests, said that "the exchange was cooperating in any way it could with the ICAC as it wanted the inquiry to be concluded as speedily as possible."

As with most stock markets around the world, 1987 was a volatile year for Hong Kong. But compared to other markets which saw overall net losses in 1987 as great as -151.5% (Mexico), or -39.7% (West Germany), Hong Kong's net loss was relatively low at -7.6%.

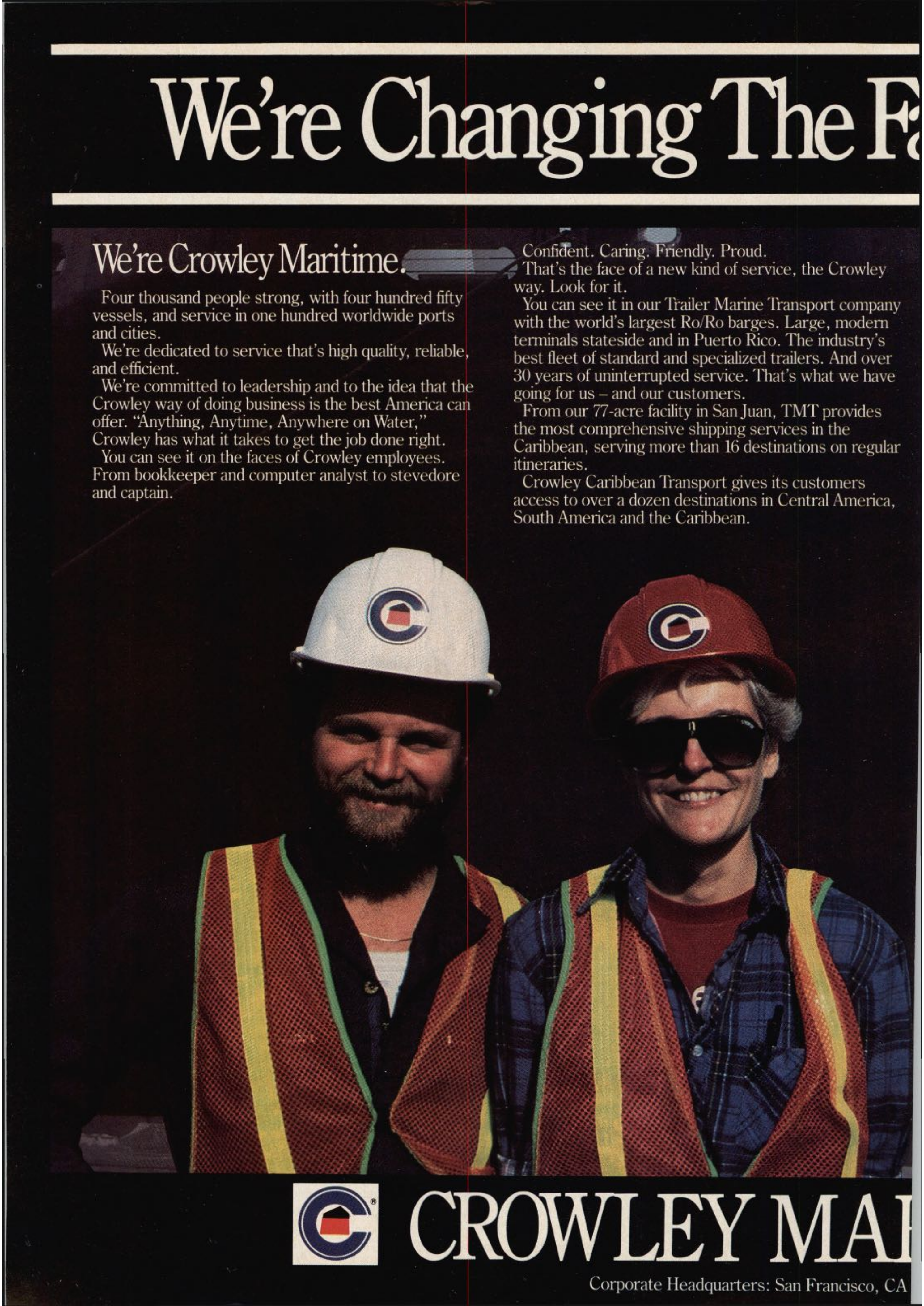
However, many questions and criticisms were raised when, for four days following the October 19 crash, Li kept the Hong Kong market closed. This highly controversial decision prompted the exchange to launch an internal investigation which was headed up by Robert Fell. According to Fell, this separate inquiry will continue.

Preliminary market reaction to the arrests was negative, with a precipitous drop of nearly 100 points during the early minutes of trading. However, when 1988's first day of trading ended, it appeared confidence had rebounded. Hong Kong's Hang Seng Index had lost only 16.75 points from the last day of trading for 1987.

The Hong Kong stock exchange's long-held reputation of being very loosely regulated may have worked in its favor in the past by attracting large numbers of investors. But, under scrutiny of late, the exchange had been undergoing a series of reforms.

Fell emphasized that "this new investigation would in no way delay the exchange's plans for improvements announced earlier.... I expect the work we already have underway ... will bring continued improvement to the exchange's operations."

"The world should know," he concluded, "that the exchange is fully committed to fixing those things which need fixing, and this investigation will in no way alter this commitment." ■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Ships Must Always Find Financing

But the terms will be different in the future. The following three articles relate to current problems in ship finance. The first is by a one-time merchant mariner, Philip Kantz, who went to work as senior vice president and general manager of the transportation and industrial financing subsidiary of General Electric Credit Corporation the same day United States Lines filed for Chapter 11 and GECC wrote off $58,000,000. The article is adapted from a talk Kantz delivered in Amsterdam. The second article, written by Associate Editor Bruce Vail, reports views of the man who engineered refinancing of the C.Y. Tung shipping empire when it came up bankrupt and $2.5 Billion in debt. The third, also by Bruce Vail, describes the effort of a San Francisco-based firm to raise money from private investors willing to buy shares in individual ships. The one constant in each article is the conviction that money must always be available to build new ships.

What Was Learned in USL Bankruptcy

By Philip C. Kantz

General Electric Credit Corporation is a diversified financial services company with more than $30 billion of assets. Through Transportation and Industrial Funding Corporation, GECC has more than $1 billion invested in the world maritime industry.

We own Genstar Container Corporation. We have recently announced the acquisition of Gelco, the parent of CTI. The combination of Genstar with CTI will leave GECC as the world's largest cargo container leasing company.

Finally, we also own an interest in Oslo-based Ditler-Simonsen, the ship operator and management firm.

Our ships financings include both loans and leases. We have financed vessels for charter to Texaco and Shell. We finance Lylas Limes and assisted Malcom McLean in the EconShip venture at United States Lines.

Frequently accused of irresponsibly funding *unnecessary* ship acquisitions, bankers must now advise the industry how to cope with the consequences.

I don't for a second believe that the lenders are somehow singularly responsible for the recent turbulence in this industry. And I reject wholeheartedly the charge that the lenders have been "irresponsible." To be sure, lenders and other parties to ship financing transactions have made mistakes.

Those mistakes were a rather natural outflow of the nearly universal mindset that characterized this industry as we sailed into our recent troubles.

Important lessons can and should be learned from those mistakes, and that, having learned those lessons, the lenders can be part of the solution.

The most compelling and central current task for everyone in our industry is to understand the ways our environment has been transformed and that such understanding will show that we must put aside confrontation in favor of cooperation, refusing to allow the inches we have in conflict to obscure the acres we have in common.

As a banker, what I really want to know is that I can get repaid.

Quite apart from the well-known tendency for forecasts to be wrong and, independently of the fact that a market which could justify new building is also a market which discourages scrapping, it should not go unnoticed that when conditions are right for investment by one, they may be perceived to be right for investment by others. As history has shown many times, the sum of many individual investment decisions—each apparently sound at the time—can often spell disaster for all.

22 Years Ago. I well remember the state of the industry when I graduated from the New York State Maritime College some 22 years ago. At that time, shipping was one of the most glamorous industries in the world. Containerization was brand new. There were scores of American flag shipping companies. One of the first ships I ever boarded was the *Savannah*, the world's first nuclear-powered merchant ship. Those were heady days in our industry. The ship owners were found about as often in the society pages as on the ships' bridges—names like Niarchos, Onassis, Tung, Isbrandtsen, Moller.

Kantz

Ship owners of that era seemed almost a breed apart, an exceptionally capable and shrewd entrepreneurial elite. These were men whose brains and experience pointed them towards lucrative economic opportunities with the seeming precision that their sophisticated on-board gyro compasses guided their ships toward the open seas.

The credibility of such owners had particularly large effects because of the uncertain and ambiguous position of the lenders. When we lenders set out to gather the information we need to make intelligent investment decisions, we navigate between being completely self-sufficient and being wholly dependent on external sources.

When we underwrite the financing of a vessel, we do everything we can to understand what's happening in the world economy, on the trade routes that vessel will ply, in the country of flag, to the operating company itself, to the particular type of vessel, and so on.

But at the end of the day, we understand that we are not ship operators. We get the best information we can, but we don't—we can't—have the close-up feel for the business, the hands-on understanding of it, that the owners and operators do.

Because of that, and given the high reputation of the ship owners, it's no wonder that lenders began more and more lending to personalities, rather than lending to assets. Economies, commodities, shipping lines, ship styles and the other variables that matter most.

U.S. Lines Case. There's a perfect and painful example that nicely illuminates the point.

Into the environment I've just described strode one of the giants of the industry: Malcom McLean, with an incandescent business plan for a new super service. McLean at that time was one of the most charismatic and experienced leaders in American shipping. He had just taken over U.S. Lines, having sold Sea-Land, the first container shipping company which he founded, to R.J. Reynolds.

U.S. Lines would launch 12 ships which would be the largest in the industry, and would feature state-of-the-art fuel efficiencies: 950 feet in length and 4,482 TEU capacity.

By virtue of their size and fuel efficiencies, these ships would benefit both from economies of scale and from cost advantages in an era of high and rising fuel costs. These ships would be the lowest-cost transportation service providers.

U.S. Lines would rationalize the eastbound trade flow. With sailings per week, it would avoid the light traffic backhaul.

The expected result of all this would be a vastly improved profitability for U.S. Lines, because it would be able to triple its market share.

$58,000,000 Third Mortgage. GE Credit Corporation took what we understood to be the third mortgage on this deal, to the tune of about $58 million.

From every perspective, it looked like a good deal to us. Besides offering a crafty business plan, this financing looked particularly well-hedged with substantial collateral. We judged our investment to be collateralized at a roughly two-to-one basis. A dream deal, in all! What could go wrong?

Well, if the height of shipping's glamour and dramatic appeal corresponded roughly with the time of my graduation 22 years ago, then the curtain came down on the drama at the time of my first day as general manager for the transportation and industrial financing division at GE Credit Corporation. That's the day U.S. Lines declared bankruptcy and we wrote off the entire loan to U.S. Lines.

What Happened? What happened in those twenty years to take the bloom off the maritime industry rose—at least from the lender's point of view?

Let's look first at the specific events that sunk the U.S. Line's venture, then tease out the larger lessons.

To begin with, OPEC didn't hold.

No one (or at least, very few) could have foreseen the success of the landbridge concept, which favored intermodal transport rather than the larger ships' plying the all-water route through the Panama Canal.

Thus ended the steady upward fuel price spiral that began in 1979, when the shah left town, replaced by a particularly humorless cleric. That meant the economics of the industry were exactly reversed: As fuel costs became a smaller and smaller cost factor, principal and interest payments became more important, thereby favoring the lines with older vessels rather than the fuel efficiencies of U.S. Lines econoships, which suddenly became a high-cost producer.

The decline in oil prices also meant that the Middle East did not, as anticipated in the plan, become a concentration of capital attracting shiploads of containerized goods.

The Shipping Act of 1984, with its deregulation of the industry, brought prices down even further. The sensitivity was significant. A 10% rate drop would create a $100,000,000 revenue loss. But rates didn't just drop 10%, they plunged.

The strength of the dollar depressed shipping to Europe and that, too, knocked the U.S. Line's game plan into further disarray.

Moreover, no one (or at least, very few) could have foreseen the success of the landbridge concept, which favored intermodal transport rather than the larger ships' plying the all-water route through the Panama Canal.

Finally, no one, with the exception of our friends in Taiwan, could have foreseen the extraordinary success of the Evergreen Marine companies which built a fleet of ships for round-the-world service in competition with U.S. Lines, but which enjoyed the advantage of a lower labor cost structure.

Now, reasonable people can and do disagree about whether it was possible to foresee this concatenation of circumstances that sunk the plans of U.S. Lines. That seems to me less important than focusing on what all of us in the industry can learn from the fiasco.

An Array of Risk Factors. The First Lesson is an implication of what's already been said. Lenders have to understand that we are lending not just to personalities or managements but to an entire array of risk factors, including the world economy, shipping lanes, country of flag, cargo, class of vessel, and fuel costs—as well as managements.

Some analysts fail to consider fuel costs as a sensitivity. That's a trap and I believe lenders will not fall into it again.

Exit Strategy. The Second Lesson, I believe, is that lenders have to be prepared to ask, "What happens if the business plan doesn't work? What's our exit strategy?" For example, we at GECC were under the impression that these large container-type vessels were essentially fungible: If the company operating them went under, the inventory could be easily sold to another line that would make use of them.

Of course, we learned the error of our thinking in a hurry, those vessels were essentially special purpose vessels, not fungible at all. For our purposes, as a result, the collateral value which we held to be undeniable quickly evaporated.

While I am somewhat relieved to hear that the vessels will sail again, it's important to point out that if and when they do, they will at an even lower cost structure than before. If I extrapolate from the state's traditional tragedy of filling empty slots by lowering rates, we could all be in for a roller coaster ride!

The Third Lesson is rationalization of capacity versus an ongoing phenomenon which creates a more efficient use of existing capacity.

If we are called upon to finance some of the needed new capacity, I wonder what will happen to the smaller vessels we have already financed. Somebody has to pay the freight for early desolescence.

Opportunities Remain. There are a lot of opportunities for an entrepreneurial spirit in an otherwise stable industry: It requires seeing an old situation in a new way. I believe lenders can help make that happen.

But for lenders to play their proper role, we will have to come to a very clear understanding of the underlying financial realities. We have to keep in mind Benjamin Franklin's principle that no matter how attractive the interest payments on a loan, they don't matter if you can't foresee getting the principal back.

At GECC we thought of our investment in U.S. Lines as a well collateralized third mortgage. That was a mistake. In fact, we should have thought of it as an equity investment, because that, in essence, is what it was.

Any time a loan is made whose recovery is dependent upon improvement in the then existing market, it's not really a loan and it doesn't carry with it a lender's risk. A loan should be backed either directly or indirectly by a sound and credit-worthy employment franchise and appropriate collateral value.

Shippers and carriers will best serve their industry and their long-term interests by sensitizing their ambitions with something other than demand. We all must seek a future of reasonable balance among all players, recognizing our interdependence, and recognizing, too, that our industry is a boat in which we must all stay afloat even as we repair and redesign it.

New Strategies. What do the current indications tell us about where this industry is going in the future? The current scene seems characterized by various lines casting about for the right kind of strategy to pursue in this marketplace. In the U.S., those strategies seem grouped under three broad categories?

Horizontal Integration. This is the strategy that American President Lines is pursuing, adding a landbridge domestic intermodal capability to complement their shipping operations to lubricate their Pacific Rim franchise.

Vertical Integration. This is the strategy that characterizes CSX, the new owner of Sea-Land, with their concept of "one-stop shipping." A customer can choose among a variety of shipping modes—barge, truck, rail, as well as container shipping, and CSX can meet his needs.

Working the Franchise. This is the strategy that's very profitably pursued by Matson, with its Hawaii franchise. Also, Lykes Lines, after a foray into the Far East, seems now to have settled back to its more traditional franchise from the Gulf of Mexico.

The move to jumbos is another strategy.

In this new environment, lenders can act responsibly and profitably only if we can recognize that our job is much more difficult and complicated than in an earlier time. We have many more factors to understand, more risks to evaluate, more questions to ask.

Shippers and carriers will best serve their industry and their long-term interests by sensitizing their ambitions with something other than demand. We all must seek a future of reasonable balance among all players, recognizing our interdependence, and recognizing, too, that our industry is a boat in which we must all stay afloat even as we repair and redesign it. ■

A $2.5 Billion Lesson in Shipping

An executive of Manufacturers Hanover Trust helped broker the deal keeping Hong Kong's second largest shipping group from going into liquidation. Harry Wilkinson offers a retrospective on one of the biggest corporate restructurings ever attempted. *By Bruce Vail*

Up until mid-1985, the name of Tung was virtually synonomous with shipping success. Second only to Y.K. Pao as the largest of the Hong Kong shipping groups, the empire of C.Y. Tung encompassed containership fleets, oil tankers, dry bulkers, and luxury passenger ships. The Tung group, operated since C.Y. Tung's death in 1982, by sons C.H. Tung and C.C. Tung, owned such vessels as the *Seawise Giant*, the world's largest ship, and controlled the containership fleets of Orient Overseas Container Line, Dart Line and Manchester Liners.

Financing a fleet of nearly 150 vessels—some 30 containerships, 60-75 tankers and dry bulkers, along with a diverse collection of cruise ships and specialized vessels—obviously requires a lot of help from this world's bankers. And they were apparently quite willing to offer this financing without asking too many embarassing questions. This became clear in September 1985, when all the financiers blinded by the lustre of the Tung name had their collective eyes forced open.

On that day, the stock of one of the principal entities of the group was withdrawn from trading on the Hong Kong Stock Exchange. The withdrawal was made in fear of a collapse in the stock price as rumors swirled that key banks had pulled the plug on Tung. The banks as a group had not done so, according to Manufacturers Hanover Trust vice president Harry Wilkinson, but a small group had decided to reduce the amounts they were pouring in. In a highly-leveraged outfit like Tung, requiring constant new financing, this alone was enough to set off the panic.

What happened immediately following illustrated just how highly the bankers and financiers had thought of Tung. When the creditors gathered it became clear there was about $2.5 billion in debt held by some 200 banks and financial institutions. The lenders came from every corner of the globe, from Hong Kong to New York, from Tokyo to Paris, from Taipei to London.

Getting Started. There was not a lot of confidence in the beginning that a restructuring could be accomplished, Wilkinson reports. The numbers were staggering. The debts were spread around among hundreds of different companies within the Tung group. The demarcation between the debts held by the publicly-owned companies and the privately-held companies was not at all clear. Tung had 24 new ships on order that needed to be paid for. The two main creditor groups—the Japanese and the Europeans—were at odds.

"When we started this, I think we all thought the chances of success were about 10%," Wilkinson said. Wilkinson, named chairman of the creditors advisory committee as one of the first compromises between the Japanese and the Europeans, recently went public on the Tung restructuring at a meeting of the Admiralty Finance Forum in New York.

(The Forum—organized by Marlene Daniels of the admiralty law firm Hill, Betts and Nash, Clay Maitland, general counsel for Liberian Services, the U.S. corporation that administers the affairs of the world's largest flag of convenience, and Emery Harper, a lawyer with Lord, Day and Lord—is a grouping of maritime lawyers, bankers and financiers who meet periodically in an exclusive New York men's club.)

Creditors Split. From the beginning there was a very clear split among the creditors into three groups. This split is familiar to anyone with knowledge of how a Chapter 11 proceeding in the U.S. is conducted. The three groups, Wilkinson said, are best described as those holding the most-secured positions, the medium-secured positions and the least-secured positions.

A major difference between the Tung restructuring and a Chapter 11 proceeding, the banker pointed out, was the lack of an impartial judge to mediate among the groups and impose settlements of divisive issues.

The debt restructuring was voluntary on the part of the creditors, and unless each group was satisfied there could be no overall resolution.

And there appeared to be little hope of such satisfaction in the beginning. The best-secured creditors, mainly the London banks, wanted to salvage the public side of the Tung group, which includes the liner segments, and liquidate the private side.

The Japanese banks and trading houses, whose investments were largely on the private side, did not like this idea at all. Their investments, mostly in the oil tankers and dry bulkers, would be largely wiped out in a liquidation of the private side.

The Japanese lenders, who also include leasing companies and shipyards, were the largest single group of creditors. The Europeans as a group were the second-largest with U.S. financial institutions having the third-greatest exposure. The Americans, and Harry Wilkinson in particular, emerged as the compromise choice to lead the restructuring group.

Suspicion. The first obstacle to be overcome was a suspicion on the part of some creditors that there had been dishonest dealing. Some of the creditors (Wilkinson wouldn't say who) believed that the Tungs had squirreled money away, holding it back for themselves while the lenders would be forced to swallow losses.

To allay these suspicions, the Tungs agreed to provide a full accounting of both corporate and personal wealth to the group of creditors, according to Wilkinson. "For a period of about three months there was a feeling (C.H.) Tung was holding back his own assets, but the creditors finally became convinced otherwise," he said.

A document detailing the personal wealth of the Tungs was compiled, according to Wilkinson, and was made available to any creditor who requested it. With this accounting being accepted by most of the parties as a basis to work from, the creditors were now ready to get down to the nasty business of apportioning losses.

Public vs. Private. This proved very difficult as the debts were held in a web of interlocking companies, some held in the public sector and some owned privately by the Tungs. In addition, some $900 million in loans were secured by the personal guarantee of C.H. Tung.

The London bankers, according to Wilkinson, were keen to observe the distinction between the public and private companies. They pressed a plan including the liquidation of the private side, but the Japanese resisted. It turned out that Tung's personal guarantees crisscrossed the line between the public and private side, allowing the Japanese to block the European plan that they saw as unfair.

"The Japanese basically said that the thing would be saved, or it would be crashed, as a total group," Wilkinson said.

An interesting footnote here was the existence of a cultural gulf separating the Chinese, the Japanese and the Europeans, Wilkinson added. This gulf was represented by differing opinions on the meaning of the personal guarantees the Tungs had given on some $900 million worth of loans. The Japanese creditors,

"The bulk of the credit extended by the Japanese was to the private side. But they thought they were lending to the Tung group as a whole. They felt at the crisis that they were being treated unfairly," Wilkinson said.

with their large exposure on the private side of the Tung empire, interpreted the meaning of these guarantees as a commitment to a given amount of cash. The Tungs, along with the well-secured European lenders, saw the personal guarantees as more generalized, less restrictive obligations. This, of course, further angered the Japanese.

"The bulk of the credit extended by the Japanese was to the private side. But they thought they were lending to the Tung group as a whole. They felt at the crisis that they were being treated unfairly," Wilkinson said.

Newbuildings. Faced with what seemed to be irreconcilable differences among the creditors on the larger issues, some of the bankers turned their attention to taking care of problems that just could not wait. The main problem here was the shipbuilding contracts for 24 vessels, most of which were already under construction in Japanese shipyards.

Some of the banks that had participated in the various packages for the initial financing of these ships wanted out, Wilkinson reports. But others wanted to stay in.

To accommodate everyone, a consortium of ten banks was put together to offer $285 million to cover the building contracts.

Leaders of this group were the Hongkong & Shanghai Banking Corp., Manufacturers Hanover Trust, Bank of China, Standard Chartered Bank, Industrial Bank of Japan and the Bank of Tokyo.

The first thing this group did was to cancel half of the orders, paying the cancellation fees out of the $285 million fund. The remaining money was paid for five containerships that were ultimately deployed in the Orient Overseas Container Line fleet and seven large oil tankers.

This financing was arranged outside the framework of the creditors committee itself, Wilkinson said, but it did provide a psychological boost to the group. Important here was the participation of the Hong Kong & Shanghai Bank, the largest single creditor. Their willingness to stay in was seen as a hopeful sign.

In addition, the presence within the consortium of the Bank of China, the state-owned bank of the Communist People's Republic, indicated that the mainland Chinese were interested in helping salvage the Tung group.

Enter Fok. But this was not to be the full extent of the help offered by the government in Peking. About one year after the crisis began, local shipping circles began buzzing with news that one Fok Ying-tung, also known as Henry Fok, was acting as front man for Peking and offering to invest $120 million in the Tung group. Fok, well-known in Hong Kong as an immensely wealthy owner of gambling casinos, was not a prominent name in the shipping business.

While $120 million is a lot of money by most standards, it really doesn't go very far when looking at debts of $2.5 billion, Wilkinson noted. But again there was a psychological boost provided by this news. Here was Fok, a man almost everyone considered a proxy for Peking, willing to inject new money into a shipping group that others considered bankrupt.

Wilkinson himself says he doesn't know whether Fok was representing Peking, some other party or simply investing his own money. "With a man like Fok, you have to realize he is in a position to come up with this kind of money on his own," the banker pointed out.

But Wilkinson and the others were in no way anxious to raise questions about Fok. If the public perception was that Peking was prepared to bail Tung out, then that was just fine as far as the Western bankers were concerned.

The Bridge. The restructuring "probably could not have been accomplished" without the participation of Fok, Wilkinson estimates. More important though was the creation of a "bridge" between the public and private debts of the Tung group.

This bridge was the reluctant concession to the Japanese that the Europeans had been resisting so long. The bridge would allow some of the unsecured debt to be converted to secured debt and also spread the losses around. When everyone agreed on this the chances of a successful restructuring went from 10% to 50%, the banker said.

One billion dollars of debt was more or less written off by converting it into equity in various branches of the Tung group. Then "we made a conservative estimate of revenue over the next fifteen years—but we really concentrated on the first five years because the way the shipping business goes any projections past a couple of years are just wild guesses and don't really mean very much—and then divided it up among the groups," Wilkinson said.

The result was "everybody got something ... and everybody had losses of varying magnitude," he said.

Who Took the Hit. Taking the biggest losses were, as usual, the unsecured creditors. Prominent among these were the Japanese leasing companies and some French banks. This group stands to get up to fifty cents on the dollar over fifteen years as long as the shipping markets don't get any worse. They could get as little as twenty cents on the dollar if the market falters.

About $300 million invested by Tungs themselves in their pubic companies was also wiped out in the financial collapse, Wilkinson added.

The Japanese shipyards and the trading houses that stand behind them fared poorly when the newbuilding contracts were cancelled. Prominent among these are Mitsubishi and Kawasaki.

The Japanese banks that guaranteed these contracts also swallowed substantial losses.

Summing Up. To get everyone to agree took a total of 17 months and was capped by a ceremony in a Hong Kong auditorium where representatives of all the creditor institutions signed the final documents.

The whole business has engendered a tremendous amount of ill will. The Japanese, Wilkinson said, feel very ill-used by both the Tungs and the other creditors. There are bankers all over the world, who, in the privacy of their offices, will maintain the Tungs managed to hide away much of their wealth.

Although Wilkinson said there are only a handful of such bankers, others in the New York financial community report the feeling is widespread.

The affair took away a lot of the attraction of investing in Hong Kong shipowning groups, especially as the Tung collapse was followed shortly by similar problems with the Wah Kwong group.

One result, Wilkinson commented, is that the personal guarantee of the Hong Kong shipowner has now become a bitter joke.

The final agreement among the creditors may not even represent the last chapter of this story.

Manufacturers Hanover Trust will be administering the payments to creditors over the next fifteen years but there is no assurance the shipping market will cooperate with the bankers' plans.

Perhaps dropping a hint to his audience of New York bankers and lawyers, Wilkinson noted that there is a provision in the final agreement that management of Tung group can still be changed if the anticipated financial performance fails to materialize.

Retail Ship Financing

California equipment leasing firm became a shipowner in 1987. Ships are owned in a fund whose shares are retailed to the general public.

By Bruce Vail

Reacting to changes made by the Tax Reform Act of 1986, a California transportation equipment leasing outfit devised a unique marketing scheme that offers smaller investors shares in a pool of used transportation equipment, including ships. The equipment—which also includes railroad rolling stock, airplanes, truck tractors and trailers, and marine cargo containers—is managed by San Francisco-based PLM Financial Services. Individuals investing in the "PLM Equipment Growth Fund II" are slated to receive part of the profits from the Fund and can be beneficiaries of a a tax shelter arrangement.

This particular Fund is currently the owner of two ships but further purchases are expected. The two vessels are handysize drybulk ships now being employed in the Far East. Built in 1974-75 at a Japanese shipyard, the bulkers are flying the Liberian flag and are under charter to a Panamanian company associated with a New York ship management group.

PLM, through other but similar types of funds, is also the owner of two more drybulkers, a parcel tanker, two shrimp trawlers and a half dozen Mississippi River barges. These were all purchased during 1987, according to PLM spokeswoman Annette Granucci.

But PLM is not primarily a shipowning company, she pointed out, and has larger investments in the railcar and airline sector. Indeed, one of the principal businesses of PLM is financial services and the company retails investment products to over 25,000 investors.

Buying Ships. In mid-1987, the Fund purchased the bulkers from two Liberian corporations, Mito Shipping Corp. and Stena Shipping Corp. These companies received $3,586,400 and $3,336,400 respectively. The two companies are associated with a network of U.S. and foreign corporations built around the Bergvall Hudner Company, a New York shipowning concern.

According to partner Michael Hudner, his company is managing a pool of 24 drybulkers primarily engaged in the North America-South America tramp market. Most of these are owned by various corporate entities associated with Bergvall + Hudner and fly flags of convenience.

The PLM vessels are operated under a "Commercial Management Agreement" between the Fund and Hudner affiliate B + H Management Ltd. This company, according to Hudner, is related to B + H Bulkcarriers, which was taken public in September 1987 and currently trading on the over-the-counter market.

The agreement provides that the two vessels will be placed in a management pool once the charters expire. This pool—called Commodity Ocean Transport Corporation Pool or COTCO Pool—is one in which the earnings of all the participating ships are combined and distributed to the owners on a "pro rata" basis.

Tax Shelter. PLM is marketing shares in the Fund to the general public (minimum investment is $2,000). The plan is that after the Fund becomes fully subscribed at $165 million, the shares will be converted to stock. PLM is hoping to get this listed on the New York Stock Exchange, but this is not guaranteed.

By late 1987, the fund had been subscribed to the level of $65.2 million and about half of this money had been spent for equipment purchases.

According to Bette Voet, marketing communications director for PLM, income investors receive from the Fund will be exempt from federal income tax. This includes both the returns made before the stock conversion and any dividends received after the proposed conversion is successfully completed.

This shelter is available because federal tax law allows depreciation on transportation equipment over a five-year period, Voet said. Shareholders, as partial owners of the equipment, are entitled to a complete exemption until mid-1992, Voet said, and are entitled to partial tax exemptions thereafter.

Spokeswoman Granucci said investors should expect an 11% to 12% annual return on their investment. This figure represents the estimated return before the stock conversion takes place, which PLM officials are hoping will happen in 1989 or 1990. These return figures are, however, not guaranteed, nor is the conversion.

Unique. According to Edward Wooley, a spokesman for the International Institute of Container Lessors, the PLM arrangement is a unique one. He said he was unaware of any similar type offer being made by the leasing company giants.

A slightly analagous offer was tried in Great Britain several years ago, he added. That offer was different, though, because the individual investors bought specific pieces of equipment. Without offering any comparison with PLM, Wooley recalled the British investment plan had been a failure.

Other Fund Purchases. The latest report PLM has published on the "Equipment Growth Fund II" detailed the other purchases made since the Fund was opened to investors.

- One Boeing 737-200 airplane at a cost of $7.4 million. The plane is on lease to Piedmont Aviation.
- One hundred and thirty-five dry intermodal trailers purchased for $1,799,685. Burlington Northern Railroad Company is currently leasing these units.
- Almost 300 railroad boxcars were bought for $4.8 million and are leased to the Maine Central Railroad Company. Another 180 boxcars, purchased for $878,750, are leased to Canadian Pacific.

Summary

What Have Bankers Learned?

A series of spectacular bankruptcies have taught hard lessons to financial institutions. A structural change is seen in the way merchant fleets are owned.

By Bruce Vail

Virtually every bank seriously involved in ship finance has a tale of woe to tell. In the United States alone, the name of Morgan Guaranty Trust is linked to the failed Hellenic Lines. Citibank and Bank of America are currently tying to pick up some of the pieces from the bankrupt U.S. Lines. Manufacturers Hanover Trust is prominent on the short list of major creditors to the troubled Tung group. The list goes on and on.

What have bankers learned about the shipping business from these spectacular failures? According to Harry Wilkinson, vice president and branch manager in the Hong Kong office for Manufacturers Hanover, they have learned two major lessons. First, banks have been too generous with their financing terms in the past. Second, financial institutions have been too loose in their evaluations of the risk in shipping loans.

Both of these things are now changing, though, and shipowners willing to go along with these changes will still be welcomed in the world credit markets. Wilkinson said his own bank, for example, will continue to finance shipowners despite the fact "we have our share of scratches, even bloody noses."

Equity. The major change demanded by bankers as a result of the prolonged depression in the shipping markets is the amount of equity financiers expect from the owners themselves.

Wilkinson estimated that five years ago banks were willing to put up 80% to 90% of the financing for ship ventures with repayment over a ten-year period. Now, the industry standard is 60% to 70% over a period of seven to eight years. The difference between the two standards is now expected to come from the shipowners themselves.

Security. Another big change is in the kind of security the banks want to see. In the past, Wilkinson explained, if an owner came to a bank with an agreement on a 15-year charter for a ship, financing for the construction of that ship was virtually assured.

"In the past, long-term charters were seen as adequate collateral. This is less true today," Wilkinson said.

"Banks are becoming more end-user oriented. If the charterer breaks his agreement, which is happening more and more, we want to know there is still a market for that ship."

Hong Kong. In the context of the Hong Kong credit market, where Wilkinson is overseeing lending to other industries besides shipping, a big problem has been an oversupply of banks.

The Europeans, especially the English, have made huge amounts of money available for lending. They have been joined by the Japanese and the Americans, all of them anxious to be in on the opening of China to western-style capitalism. The Europeans are now in the process of pulling out, Wilkinson estimates, but the Japanese and American money will still be there.

A major lesson from the Tung fiasco is the limitations of the traditional Chinese family-style business. "In shipping and in other industries, the Chinese family way of doing business becomes a liability when the business reaches a certain size. It works very well on a smaller level, but when the business begins to get huge, you need a more sophisticated way of keeping controls," Wilkinson commented.

Coming Back to Shipping. Wilkinson makes a distinction between real shipping banks and banks that simply lend to shipowners. "When times are good, every bank in the world calls itself a shipping bank. But it's the ones that stay in there in the bad times that are the real shipping banks.

"Two-thirds of the 'shipping banks' have moved out in the last three years. But these are not necessarily the biggest, the best banks. There are five or six serious shipping banks in Hong Kong—they have tightened up but they are still in there," Wilkinson said.

The better banks have not been hurt as much by the troubles in the shipping industry as some people seem to think, the banker indicated. And there seems to be some feeling the worst is over.

"There are many predictions that the banks will come back in two years from now," he concluded.

Back In The Marketplace

U.S. motor vehicles hitch a ride on the falling dollar and produce long-awaited increases in exports. By Elizabeth Canna

It may have taken more than two years for automotive exports to catch up with the declining dollar but, now that they have, the results are impressive.

By the end of the third quarter of last year, motor vehicle exports from the United States had already exceeded 1986's full year total by 25 percent.

Since 1985, when U.S. exports fell to record post-war depths and the U.S. dollar rose to record heights, exports have gradually shown signs of recovery, but never as dramatic as in recent months. It is conceivable that by the time 1987's export figures are fully tallied, automotive exports will have doubled over 1986 levels.

And for 1988, the signs are even more encouraging. Each of Detroit's Big Three automakers is predicting significant increases in this year's exports. General Motors expects to exceed 1987 exports by 19 percent. Chrysler anticipates an astonishing 70 percent growth in exports. Ford, which doubled its exports in 1987, expects to go even further, although the company has not yet published firm projections.

Other Factors? Surely the dramatic weakening of the U.S. dollar is the chief catalyst boosting exports of motor vehicles. Since the first day of business in 1985, the dollar has fallen 39 percent against the British pound, 51 percent against the Deutsch mark and 52 percent against the Japanese yen.

But, according to spokesmen for companies that are reaping the benefits of the tumbling dollar, there are other factors as well that are contributing to the export boom.

One is a reversal of the often criticized failure of American manufacturers to tailor their export products to the needs of their target markets, particularly Europe.

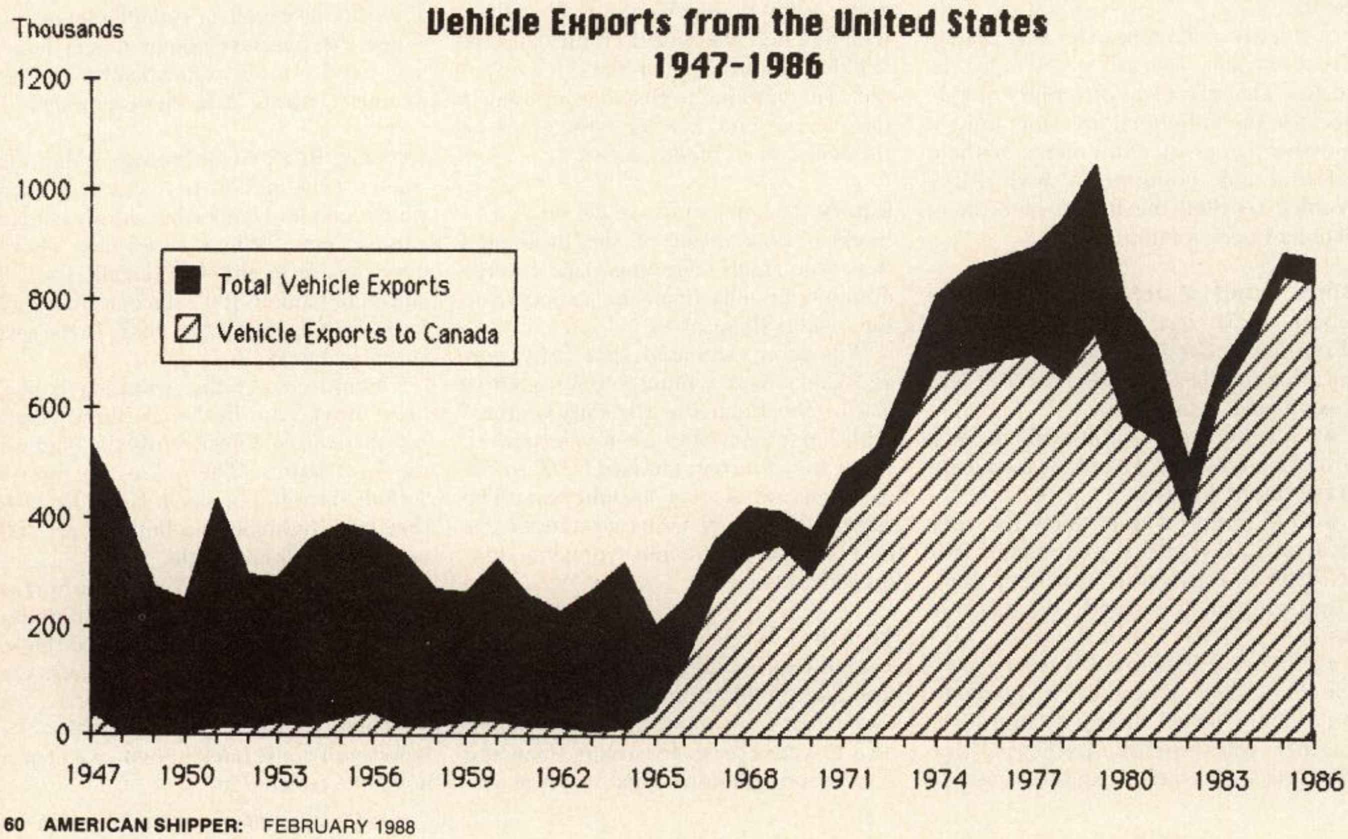
It isn't completely clear whether the American vehicles, which are being more favorably received in European markets, are being manufactured with export in mind or, conversely, for an American domestic market which has acquired a taste for European style and performance.

This issue is a sensitive one for Detroit. Ford's research and analysis manager, L. Ray Windecker, decried, "all this malarkey that Americans could not meet market needs."

However, other manufacturers are willing to admit that new designs are opening doors.

A spokesman for General Motors indicated "we've had to re-educate our buyers [in Europe] what we're up to.... We look a little more like them."

Chrysler's corporate spokesman, John McCandless, indicated that his company's domestic and export models are identical in design and performance, differing only in model name. They are more successfully exported because,



"Europe is moving quickly to unleaded fuel and we had the no-lead technology before Europe."

"the cars themselves are more European-like in nature," McCandless explained.

Caterpillar Exports Up 24%. Similarly, Caterpillar Tractor, which saw a 24 percent increase in exports during the first nine months of 1987 compared with the same time period of 1986, sees a rapprochement of American market needs with those of overseas markets.

Caterpillar spokesman, Guilbert Nolde, pointed out that "there's been a wide increase in demand for the products we manufacture ... [but] the items being exported are [also] for the American market." The Caterpillar product range is varied enough that it satisfies the needs of overseas markets.

One area in which American manufacturers have made great strides, and which is becoming increasingly important to the European market, is that of emissions controls. Once considered an albatross because of the attendant added costs and the decreased fuel efficiencies, the catalytic converter is now providing U.S. motor vehicles an edge in Europe where concerns for environmental protection are growing.

"Europe," said the spokesman for General Motors, "is moving quickly to unleaded fuel and we had the no-lead technology before Europe."

Chrysler's McCandless pointed out that West Germany, in particular, admires America's advances in environmental protection technology and is providing tax advantages for American motor vehicle imports.

Barriers Still Exist. Tax advantages of any nature would be welcomed by the U.S. exporter because of the heavy tax barriers that still exist on both ends of the export chain.

"We export our entire tax load," declared Ford's Windecker.

He went on to explain that because America's system of taxation incorporates the extra cost throughout the manufacturing process, American exports are at a disadvantage before they even reach the end of the assembly line.

As a counterpoint example, Windecker cited the Scorpio, a West German import that Ford markets in the United States. "When we bring in the Scorpio, the German government takes off the 13 percent value added tax (VAT)."

VAT, of course, works in reverse for U.S. exports and, according to John McCandless, adds approximately $1,500 to $2,000 to each vehicle exported, depending on the country of destination.

Exports to the European Community are particularly disadvantaged with added taxes, according to Ray Windecker. He explained that the EEC tariff adds 11 percent, on top of which is added the receiving country's individual VAT.

"This is what is termed as free trade by the U.S. Trade Group, the U.S. government, editorial writers and economics academics," declared Windecker.

In Japan, Windecker explained, there are no specific import tariffs, but barriers exist, nonetheless, because of the tight Japanese government control over distribution licenses—controls meant to protect domestic industries.

Ken Brown, a colleague of Windecker's at Ford, feels that Japanese import barriers go beyond government controls.

"In Japan there are still many difficulties," he said. "The Japanese mentality is not attuned to acceptimg imports of any kind ... maybe as a novelty, but not into the mainstream," he added.

Target Markets. Although it would appear that Europe is currently the major target for U.S. automotive exports, manufacturers are not willing to specify in detail their market plans.

General Motors' spokesman explained that GM still sees about 50 percent of its exports going to the Middle East, particularly large luxury automobiles and utility vehicles. He pointed out that GM considers Japan a difficult market to target because of the traditional barriers, and also because of what he termed a Japanese "fondness for German engineering."

Target markets for automotive exporters are decided, in part, based on manufacturing installations some of them have in place overseas.

While Chrysler had to give up its foreign facilities during its well-publicized restructuring several years ago, both General Motors and Ford do have to avoid competing against themselves.

Carrier Optimism. The renewed optimism for U.S. automotive exports is no more evident than amongst ocean carriers who operate Ro/Ro vessels. Both Atlantic Container Line and Nedlloyd have acknowledged they expect increased demand for Ro/Ro space in 1988.

But especially optimistic is Norwegian Specialized Auto Carriers, more commonly known as NOSAC. Until October of last year, the Norwegian-owned company concentrated on contract carryings of rolling stock transpacific imports and Europe/Far East routes.

NOSAC's plan is to deploy twice-monthly sailings of vessels that hold approximately 5,800 vehicles. At this pace, full sailings, twice a month, equates to an annual haul of 150,800 vehicles—an export level the United States hasn't seen since 1981. ■

Big 3 Automotive Exports

	1986	1987	1988
G.M.	61,500	67,700	80,400
Ford	11,000	22,000	N/A
Chrysler	16,300	33,000	56,000

High Hopes for Auto Imports Too

America's renewed success at motor vehicle exporting does not exclude the possibility of continuing strong imports, at least as far as BMW is concerned.

Despite considerable softening of the U.S. dollar against the West German Deutsch mark, BMW of North America still has high hopes for their imports into the United States; so high, in fact that they have signed a 30-year lease with the Port Authority of New York and New Jersey for 15 acres to build a $15 million, 130,000-square-foot vehicle preparation center at the new Port Authority Auto Marine Terminal.

The center will maintain a minimum volume of 30,000 vehicles annually, and will be capable of processing several hundred BMWs each day.

During 1987, BMW imported approximately 90,000 autos into the United States, 35 percent of which came through New York/New Jersey. Thomas McGurn, spokesman for BMW of North America, said projections for 1988 are about the same.

BMW expects to open the vehicle preparation center in time for the introduction of its 1989 models in September of this year. The center is expected to create approximately 100 new jobs.

With 534,000 import cars moving through the port in 1986, auto importing has become a growth industry for the region, supporting 15,000 jobs and contributing $693 million annually to the area's Gross Regional Product, according to the Port Authority.

The port began construction on its new auto marine terminal in September of last year.

Opposition to FTA Continues

Three provisions raise long-term fears in maritime industry. Major concern is if it will affect most-favored-nation trade agreements. *By Tony Beargie*

Despite success in getting the major maritime provisions removed from the U.S.-Canadian Free Trade Area agreement, all is still not well with the bilateral trade pact as far as the U.S. maritime industry is concerned.

While the industry views the elimination of the transportation annex from the agreement as "a major success," lobbyists are now taking the position that their recent success is by no means an unqualified victory.

Still hanging over the FTA are three provisions that the industry would like to see withdrawn. They are:

- A provision contained in the energy chapter of the FTA that permits the export of 50,000 barrels per day of Alaskan North Slope oil to Canada, even though U.S. flag vessels would be required for all shipments out of Alaska.
- Another provision that calls for repealing the U.S. Customs Service's 50 percent ad valorem duty on non-emergency repairs in Canadian shipyards.
- A third provision concerned with government procurement, which the maritime industry feels could lead to the granting of national treatment to Canadians in the government procurement of maritime services, such as Military Sealift Command charters and Army Corps of Engineers projects.

The industry concerns were spelled out in a memorandum sent by Transportation Institute president James L. Henry to members of the Free Trade Area Maritime Coalition, the big industry group that succeeded in getting the transportation annex dropped from the trade pact.

The industry continues its long-standing opposition to the export of Alaskan oil on grounds "that it will harm independent tanker and shallow-draft operators," Henry said.

And, "more importantly," Henry continued, the export provision sets in motion "a dangerous precedent that threatens the nation's energy independence and security." Also, he noted, by the very fact that the FTA has been "touted (by the Administration) as a role model for future GATT negotiations, it is plausible that our other trading partners may seek similar access to our (U.S.) domestic oil supplies."

150 Jobs at Stake. In another, more informal industry document, the industry argued that the export provision would spell the loss of "at least three militarily-useful U.S.-flag tankers and up to 150 jobs." Furthermore, it was claimed, the provision would harm the shipbuilding and ship repair industries in the U.S. Pacific Northwest.

From another perspective, the maritime industry charged that the inclusion of the export provision "is merely an attempt to achieve through trade negotiations what could never be achieved through legislation." (Year after year, the U.S. maritime industry has successfully fought off attempts in Congress to change the Export Administration Act so that Alaskan oil could be exported.)

Acceptance of the FTA's oil export provision "would contravene more than a decade of clear Congressional policy that Alaska oil should not be exported," the industry document said.

Furthermore, it was argued, since Canada is an oil exporting nation, it has no need for the Alaskan oil. In this vein, the maritime industry argued that Canada would not be barred from exporting the oil since there are no restrictions on this in the FTA agreement. "In short, there is nothing (in the FTA agreement) to prevent this oil from sailing away to Far Eastern nations, circumventing the oil export restrictions the Congress has reaffirmed on several occasions," the maritime industry document said.

'Camel's Nose Under the Tent.' The industry continued to present a dim view of the FTA agreement's oil exporting provision, likening it to "the proverbial 'Camel's Nose Under the Tent'."

"The Canadians originally asked for 200,000 barrels per day, and the 50,000 barrels per day limit currently in the Agreement could be increased in follow-on negotiations to be presented to the Congress also as part of a 'fast track' package where one provision is extremely difficult to extract," the maritime industry continued. "And in view of Most-Favored-Nation treaties we have with other nations, exports could be opened to other countries who could claim equal access to that now being granted to Canada. Plain and simple, this export provision is terrible precedent."

Hill Leadership Calls For Delay. As U.S. Trade Representative Clayton Yeutter was hailing the accord as "a win-win exercise for Canada and the United States," the leadership of the Senate Finance and House Ways and Means committees called on the executive branch to hold off on working up implementing legislation for a while, so Capitol Hill would have more time to devote to the omnibus trade bill.

Indeed, Senate Finance Committee chairman Lloyd Bentsen (D-TX) and House Ways & Means Committee chairman Dan Rostenkowski wrote a letter to Yeutter requesting the Administration to put the issue off until June 1, noting that they would like to get the trade bill through Congress and on the President's desk perhaps as early as the end of February. However, a USTR spokesman told *American Shipper* that the Administration would like to wrap up the U.S.-Canadian agreement "as soon as possible."

Yeutter praised the pact, calling it "the most ambitious bilateral economic agreement the United States has ever undertaken."

"It (the bilateral agreement) will eliminate all tariffs and remove or discipline a host of other barriers to the free flow of goods, services and investment between the United States and Canada," Yeutter said.

Agriculture. Canada and the United States have agreed to do away with all agricultural tariffs within 10 years.

Canadian import licenses for U.S. wheat, barley, oats and grain products are to be eliminated when support programs in both countries are equal. Both countries reserved the right to impose or reimpose restrictions if there is a substantial change in either country's support level.

Subsidies provided by the Canadian Western Grain Transportation Act for products moving through Western Canadian ports to U.S. markets will be eliminated.

Both sides agreed that their chief goal regarding agricultural subsidies is to achieve worldwide the elimination of all subsidies that distort agricultural trade. The U.S. and Canada pledged to work together on this goal, including a joint effort in the upcoming Uruguay Round of trade talks.

Government Procurement. "Buy American" and "Buy Canadian" restrictions are eliminated on the procurement of goods by U.S. and Canadian entities covered by the GATT Government Procurement Code between the Code threshold (for 1986, $171,000) and an FTA threshold off $25,000 and are subject to the same exclusions and exceptions as those covered by the Code.

Tariffs. All bilateral tariffs will be done away with in stages by January 1, 1998. About 75 percent of this trade already moves duty-free, with the remaining 25 percent subject to tariffs, the USTR office noted. Canadian tariffs average between nine and 10 percent or about twice the U.S. average. ■

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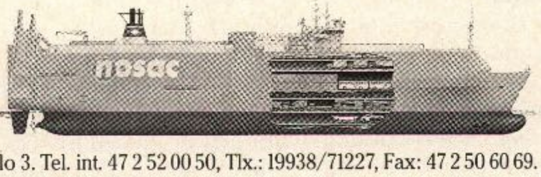

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itary sales. Part of the cost of the product is offset by purchasing products in the country to which the goods are being sold.

$100,000,000 Countertrader

Dan West says countertrading gives American traders an important tool in opening foreign markets to their wares. *By Neal Ganzel*

Markets closed to your products? Are you having trouble finding people with hard currency to buy from you on international markets? Monsanto's Dan West says countertrade, which in his opinion is simply listening attentively to your customer's needs, may be an option you need to consider.

He says that, in his experience as director of countertrade for the international manufacturer Monsanto, countertrade has often made the difference between getting into a market or not. Monsanto does approximately $100 million in countertraded products each year in support of its international sales efforts.

One recent deal he concluded with the People's Republic of China has resulted in eight forty-foot containerloads of imported cargo for the port of Wilmington, North Carolina, each month. West wouldn't go into the details of the transaction, except to say that it took "a year and a half to consummate, and is long term." He said that, in the case of trade with China, "countertrade is the only way to get into the Chinese business."

"If your customer doesn't have any hard currency, but wants your product, countertrade may give you options you wouldn't have simply relying on a cash-basis sales arrangement," West says. "Many times, if we don't countertrade we don't get the business."

In this vein, West says the American businessman is not very innovative when it comes to trading in world markets. "We are getting beat by the Japanese, West Europeans and others because, among other things, we're not willing to engage in countertrade," he claims "They, and the rest of the players, are generally willing to countertrade and find other innovative ways to make sales."

Creating A New Position. West himself got acquainted with countertrade more by accident than design.

A Texan by birth, he graduated from the University of Texas with a degree in mechanical engineering. After working for five years in Texas at a Monsanto plant, he moved into the business side of the company and has remained with Monsanto for 23 years.

During the early years of his association with Monsanto, he worked in marketing and regulatory affairs. While engaged in the latter responsibilities, he was loaned by Monsanto to the Petro Chemical Energy Group, an industry association formed in Washington, D.C. to advocate decontrol of energy during President Ronald Reagan's first term. After that, he returned to Monsanto as director of raw materials purchasing. It was in that position that he says he saw the possibilities of countertrade for the company. He then lobbied Monsanto to create the position he now holds, director of countertrade.

West's office is part of the corporation's international section. As director, he says he has a "worldwide focus," working closely with company counterparts in Europe. In developing items to use in bartering, West says he "first looks for opportunities involving the product and raw material requirements of Monsanto's plants worldwide."

In his career as a countertrader he has dealt in products including wooden plates, shirts, underwear, high blood pressure medicine, tomato paste, flashlights, and rubber boots as well as chemicals. He says that an English-speaking young secretary in an Asian country wrote to see if he could put her in contact with a company that could help find her a husband in the United States. "My wife said I had reached a new high or low, she couldn't tell which," he laughed.

Defining Countertrade. West says countertrade is, simply, "a creative way to meet our customers' needs." He said the practice could take any of five different forms.

- **Barter** - "I'll give you two glass beads for one shell."
- **Compensation** - "We agree to build a plant in your country and we get compensated for our technology with exported product produced by that plant.
- **Offsets** - "Pertains mostly to military sales. Part of the cost of the product is offset by purchasing products in the country to which the goods are being sold.
- **Clearing accounts** - "This form occurs most commonly between Eastern European countries and the LDCS (Less Developed Countries). The LDC ships product to one East European nation, creating an accounts payable entry on that country's trade books. Country X can then satisfy that entry with either its own products or it can be satisfied by another country which comes along and 'buys' Country X's debt in another trading transaction that includes a discount on amount of the debt."
- **Counter-purchase** - "If you buy from us, we'll buy from you, in varying amounts over varying periods of time. This transaction creates hard currency that is then used in turn to purchase products from Monsanto."

Businesses who want to make countertrade a part of their international bag of tricks would be well advised to seek the advice of one of the international trading companies who do this on a regular basis, rather than simply "jumping in with only the advice of your banker."

Mechanically, countertrade simply adds a third contract to the typical import/export sale.

"You have a contract to buy, a contract to sell, and a contract to countertrade certain parts of the sale," West says. "The countertrade contract ties the other two contracts together—without it the sale cannot go forward."

Association Formed. One year ago, West formed the American Countertrade Association. Membership is limited to American manufacturing companies who are engaged in countertrade of any size.

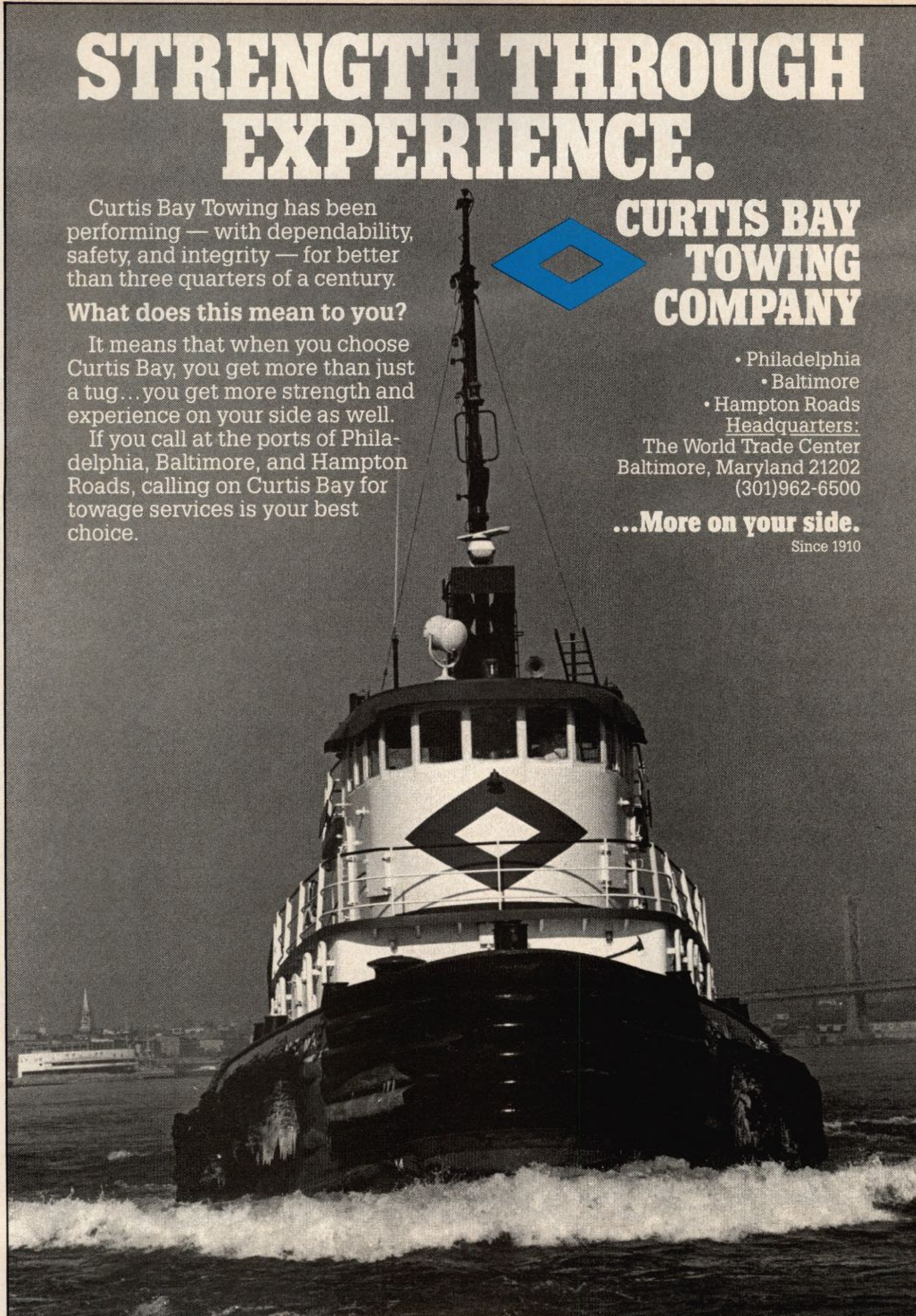
"We limited it to manufacturers, excluding the various countertrade service organizations, so that we could invite them in as experts who could advise us in an environment free of competitive pressure," West said. There are no membership dues, "outside what it costs to come to our meetings."

Seventy companies presently comprise the association's membership. Firms on the association's executive committee include Eastman Kodak, Boeing, Grumman, and TRW. ACA is headquartered in St. Louis.

The association meets every six months.

Its next meeting will take place in Pittsburgh, Pennsylvania, June 6, 7 and 8, and will be hosted by Caterpillar, Alcoa, and Scott Paper.

For details contact Dan West at Monsanto, P.O. Box 31432, St. Louis, Missouri, telephone (314) 694-5703. ■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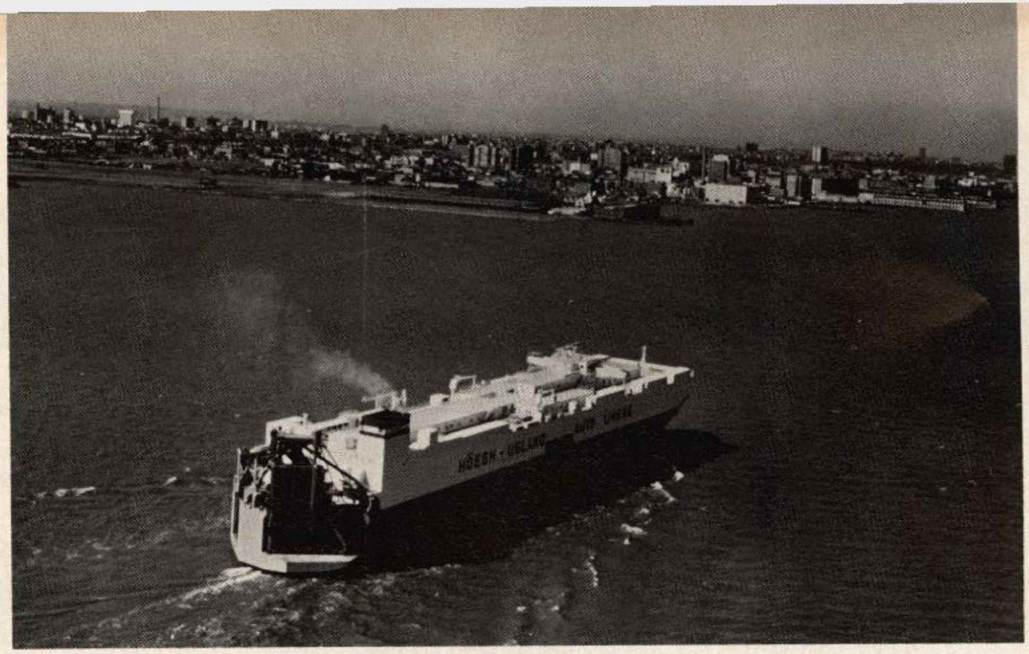
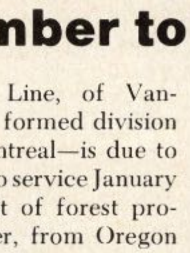


Lumber to Fill Westbound Auto Ships

Pacific Commerce Line, of Vancouver, B.C.—a newly formed division of Fednav Ltd. of Montreal—is due to launch a monthly Ro/Ro service January 25 with the movement of forest products, primarily lumber, from Oregon and British Columbia to Japan.

Formation of the Fednav service comes at a time when carriers of containerized lumber are experiencing full sailings westbound and both American and Canadian producers, due to the soaring yen, are selling more lumber to the Japanese. Not lost upon the people behind the new line are plans of conference carriers to further hike westbound freight rates.

"I hope to fill that niche" for a noncontainerized but efficient carrier of lumber and other forest products westbound, said Clyde L. Jacobs, Pacific Commerce Line president, who until recently was vice president and general manager of Vancouver-based Seaboard Shipping Co., a shippers' cooperative representing about 50 lumber and plywood mills. Seaboard charters vessels, including Ro/Ros.



Jacobs

"The container carriers are going to be in a position that they can't offer as many containers for the service as they have in the past," Jacobs told *American Shipper*. He said there will be a trend toward a reduction of such service for lumber exporters.

Rates Affected Decision. Also "encouraging the use of our service," he said, are plans by the Westbound Transpacific Rate Agreement (TWRA) to increase its rates, effective January 1.

The planned rate hike—and formation of Pacific Commerce Line—are occurring while the realignment of the yen with respect to the American and Canadian dollars is enhancing the flow of westbound freight.

Two Hoegh-Ugland Ships. Pacific Commerce is establishing its service with two 32,000-deadweight-ton Ro/Ro vessels, the *HUAL Transporter* and *HUAL Trader*.

The *Transporter* is due to arrive January 25 at Portland, which Jacobs said probably will be the line's sole U.S. port of call (the Port of Vancouver, Wash., also is vying for the service, he said). Vancouver, B.C., will be the second and only other regularly scheduled port of call.

Jacobs said it was too early to tell who would emerge as major users of the new service but he expressed confidence that "we will have a large number of shippers" in Oregon and British Columbia. He said it is anticipated that about 90 percent of the line's initial traffic will consist of lumber.

"A lot of this lumber is moving in container vessels," Jacobs commented, adding that there is some shortage of containers out of Portland for export lumber movements.

All ship loading equipment will be furnished by stevedoring firms. The Vancouver, B.C., contractor had yet to be decided but Jones Oregon Stevedoring Co. probably would be doing the work at Portland.

Flat-deck vehicles will be used to drive the lumber aboard ship, where forklifts will unload and stack the lumber for shipment.

Autos-Lumber-Autos. A key ingredient in Pacific Commerce Line's intended success is the line's management of the twin Hoegh Ugland Auto Liner (HUAL) ships on the westbound transpacific leg of the ships' around-the-world voyages.

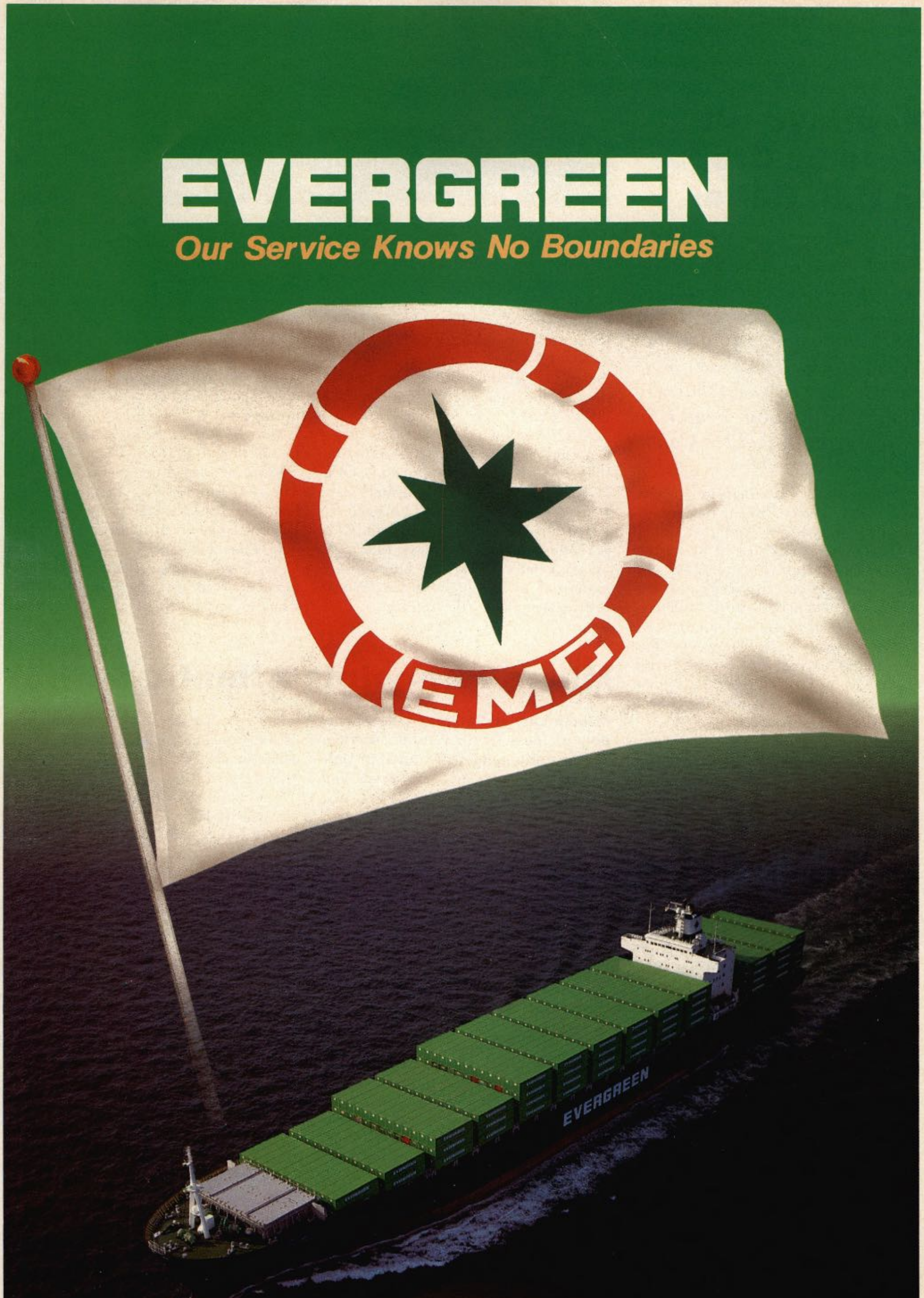
The west-rotating, five-year-old vessels transport automobiles from Europe to the U.S. East Coast and from Japan to Europe. Jacobs said Fednav, through its new Vancouver division, "is reducing the ballast leg" by positioning the vessels for the forest products trade.

"These ships are very well suited for that trade," he said. "They were built as Ro/Ro vessels that also can carry cars rather than the other way around."

Auto Decks Retract. Jacobs noted that the ships have four strong decks and adequate head room for efficiently carrying forest products when the automobile decks are hydraulically retracted.

Of course, two ships in an around-the-world operation cannot provide Pacific Commerce Line with a monthly service. Jacobs said the ships together will make seven or eight voyages a year for the company and that other ships will be needed as supplements. Being looked at are 22,000-DWT Ro/Ros, he said. They are capable of carrying about 12 million board feet of lumber, compared with the HUAL vessel capability of accommodating 18 to 20 million board feet.

Lumber to East Coast. In addition to launching the transpacific service, Pacific Commerce Line is chartering vessels to carry lumber from British Columbia to the U.S. East Coast. The first such shipment, with liftings from three B.C. ports, involves the 27,000-DWT *Jufu*, carrying 16 million board feet of lumber. ■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Nedlloyd Hit Hard by Drop In U.S. Dollar

Royal Nedlloyd takes extraordinary loss in 1987 due to dollar decline, but approves 1987 dividend and forecasts 1988 profit. Plans to issue cumulative preferred shares to build distribution center in China. By Elizabeth Canna

Preliminary 1987 financial results, announced January 7 by the Rotterdam-headquartered Royal Nedlloyd Group N.V., indicate a net loss of about 900 million DFL (approximately $486 million). This compares to a net profit in 1986 of 71.6 million DFL (approximately $38.7 million at current exchange levels).

The company stated, however, that because the loss is due to a non-recurring charge of approximately one billion DFL ($540 million), it has proposed a dividend be paid for 1987.

In addition, Nedlloyd has predicted a 1988 profit of more than 100 million DFL ($54 million).

The extraordinary adjustments included revaluation of certain fixed assets such as cargo ships and drilling rigs, due to the fall in the value of the U.S. dollar.

Because of the negative results caused by these one-time adjustments, the Nedlloyd executive board is considering the placement of 5.9% of their cumulative preferred shares in the amount of 175 DFL ($95 million) in private financial institutions.

This would, according to Nedlloyd, strengthen available equity necessary for further development of the company.

The proposed placement of cumulative preferred shares requires a special meeting of shareholders which was scheduled to take place on January 25.

The value of Nedlloyd's stock traded on the Amsterdam exchange roller-coasted before and after the news was issued that Nedlloyd would take the extraordinary loss.

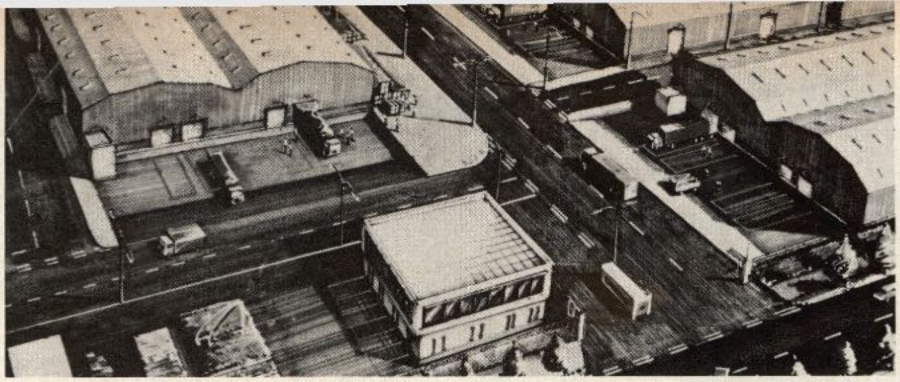
The announcement first came out of Rotterdam on Thursday, December 17. A week prior, on Thursday, December 10, Nedlloyd's stock had closed at 110.5 DFL ($59.73). By Tuesday, December 15, the price had risen 28% to 141.5 DFL ($76.49). Rumors of a takeover were, at that point, prolific.

The following day, on Wednesday, December 16, trading of Nedlloyd's stock was suspended for 24 hours.

When the announcement of the estimated losses came out the next day, on the 17th, the stock price dropped to 126.5 DFL ($68.38).

After the announcement, the price dropped as low as 117 DFL ($63.24), but then began a steady climb to 147 DFL ($79.46) on January 5. Closing on Friday, January 8 was at 141.8 DFL ($76.65).

The Royal Nedlloyd Group N.V. is parent company of Nedlloyd Lines, the international ocean carrier which recently undertook a widespread organizational restructuring in North America.



China Distribution Center. Nedlloyd Group and the port authorities of Tianjin, China, signed a joint venture agreement in December for the construction and operation of a bonded warehouse, storage and distribution center in the port of Tianjin. It will cover a total area of 150,000 square meters, 50,000 of which will be put into operation this year. The agreement is valid for a period of 20 years.

Distribution centers such as this are the first of their kind in any Chinese port.

Construction will commence in March. The new Commercial Bonded Warehouse Service, Ltd., under joint Chinese/-Dutch management, is expected to be operational in October.

Nedlloyd said it is examining possibilities of developing similar centers in other Chinese port cities. ■

Maersk Appoints Atlantic Staff

Maersk Line staffs up its U.S. operation for new North Atlantic service. Moller trade name is dropped in United States. *By Bruce Vail*

Maersk Line has appointed a group of senior officials to run the carrier's new North Atlantic service, scheduled to begin in April. At the same time, the line announced it would discontinue use of the trade name Moller Steamship Company in the United States, and would henceforth use the name Maersk, Inc.

Named to lead the new service here is Birger Jurgensen, who will have the titles of vice chairman, Maersk Line Ltd., and vice president for the Europe service. Jurgensen will operate from the New York area office, which is scheduled to relocate from its current quarters in New York City's World Trade Center to suburban New Jersey in March. Jurgensen is now a member of the board of directors of the parent company in Copenhagen.

Jurgensen will be working with Ted Ruhly, long-time president of Moller Steamship Company. Ruhly will retain his presidency of the renamed Maersk, Inc.

Replacing Jurgensen as president of Maersk Line Ltd. is John Bouchard, formerly of Maersk Line's Washington office. Bouchard is a former U.S. Steel executive and will also be posted in the New Jersey office.

Taking Bouchard's place in Washington will be Lars T. Nyberg, recently a vice president in the New York office. As vice president for government affairs, Nyberg's principal duty will be to oversee Maersk's relationship with the Military Sealift Command. The Danish carrier has a U.S. subsidiary doing substantial business with the Pentagon.

Heading the sales and marketing efforts for the North Atlantic service will be Kurt M. McElroy. He will have the title of vice president. Most recently office manager in New York, McElroy has also served as sales manager in St. Louis and Los Angeles.

In addition, James Southard has been named regional director for New York. Completing the appointments, Linda Marone has been elevated to assistant corporate secretary.

These appointments cover senior positions for Maersk's new North Atlantic service, scheduled for startup April 24. The service will provide weekly transits under the conference tariff eastbound and an independent tariff westbound. ■

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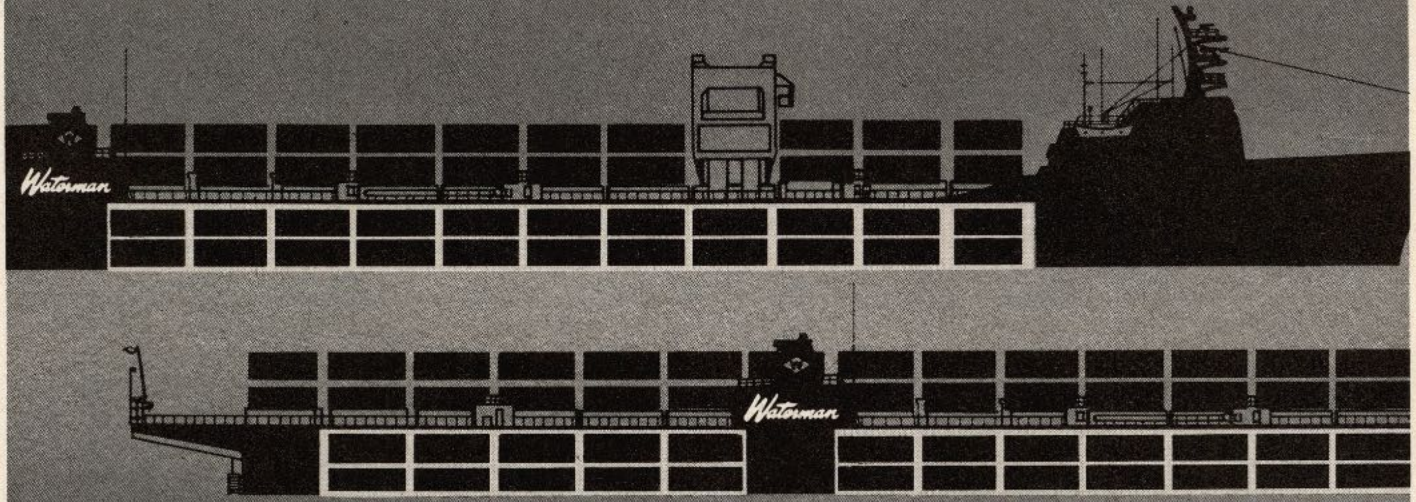

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ANZDL Signs Southern Steam, AP Intermodal

ANZDL signs Southern Steam as agent and American President Intermodal as carrier for overland leg of intermodal shipments. *By Richard Knee*

Australia-New Zealand Direct Line made the long-awaited announcement last month of its new agency and intermodal arrangements, but what also emerged at a breakfast/news conference was that the nature of carrier-agency relationships is starting to change.

ANZDL, a joint venture of Shipping Corporation of New Zealand and Pacific Australia Direct Line, said at a small gathering January 6 in Long Beach that it has chosen Southern Steam, Inc. of Mobile as "operating service agent" and American President Intermodal Company of Oakland to handle the overland leg of its intermodal shipments.

Still to be determined, ANZDL officials said, are the terminals that will host the carrier's vessels.

Segmented Approach. Whereas agencies have traditionally handled virtually every function for their carrier clients—from marketing and booking to ship husbanding—what is emerging is a segmented approach in which the latter are handling a growing chunk of the responsibility, ANZDL and Southern Steam officials told the gathering.

In ANZDL's case, Southern Steam is handling bookings, accounting and other operational duties while the carrier is doing its own sales, marketing and customer service.

The number of carriers opting for such divided-duty arrangements "would surprise you," remarked H.W. Thurber, III, Southern Steam chairman and chief executive officer.

Whereas large operators can develop comprehensive, "integrated" transportation systems, observed ANZDL CEO Michael Beard, small to mid-size carriers tend to break down their operations into their component parts and to see how and by whom each is best handled.

In making the initial announcement of the arrangements, ANZDL executive vice president Alex Knowles praised Southern Steam as having "the flexibility and organization ... to meet our needs."

The agency was flexible enough, he said, to agree to a narrow list of functions comprising documentation and data transfer, accounting and collections, and logistics.

Knowles

Thurber

SCN and PAD will continue separate marketing of the ANZDL service, Beard said.

Boon for API. ANZDL looked at "five or six intermodal operators with varying degrees of expertise" before settling on API, Knowles said.

"The scale of API's operation is much larger" than that of Sea-Land, remarked Beard.

Sea-Land's various operating units provided intermodal, agency and other services to ANZDL until January 31.

API will, Knowles said, provide "critical daily services" that are becoming increasingly important as competition in ANZDL's trade lanes heightens.

The relationship is significant for API because ANZDL is the first ocean carrier besides corporate sibling American President Lines for which API makes all the intermodal arrangements, API president Nolan R. Gimpel said.

"We are taking the systems we have" and availing them to ANZDL, he said.

Those systems are extensive. API's intermodal network offers 59 train departures each week around the country, including seven in and out of Los Angeles, three in and out of Seattle, and two in and out of Oakland, he said.

Should ANZDL's freight ever be voluminous enough to require dedicated trains, he added, "we would be happy to do that as well."

PAD Vessels' Future? ANZDL officials, asked about the future of PAD's ships, said they could not give a definitive answer.

PAD is "heavily involved in the breakbulk market," Beard noted, and ANZDL's "preference is to get more containerships" in order to "fully integrate our schedule."

But, he added, "we are not sure" of what PAD's corporate parents have planned.

Optimism. Beard painted a rosy picture of the U.S-Oceania trade outlook in general and of ANZDL's prospects in particular.

Trade has been stimulated by the "complementary relationship between the two (U.S. and Australian) currencies," he said.

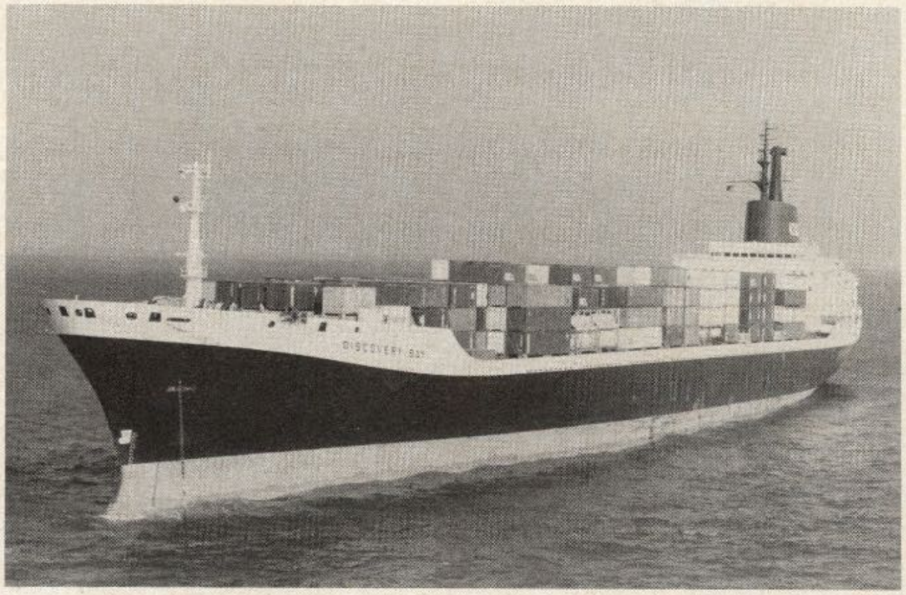
While the U.S.-Oceania shipping lanes are overtonnaged, the ships for ANZDL and its predecessor, Australia-New Zealand Container Line, "have been running full for two years in both directions," he said.

But, he conceded, ANZDL's containerships have smaller capacities than those of the other carriers in the trade: about 800 TEUs versus about 1,200 TEUs, respectively. Even so, he said, ANZDL commands market shares in the trade of more than 25% southbound and "approaching" 30% northbound.

ANZDL/ANZCL enjoyed 95% utilization of its reefer-slot capacity last year and perishables shipments constitute nearly two-thirds of the carrier's northbound cargo, Beard said.

"Over half of our cargo is in 40-foot containers," which is "certainly one of the reasons for our success," he said.

ANZDL's business is evenly spread among the four major U.S. shipping regions—i.e. the three coasts and the Midwest each account for "roughly 25%" of the carrier's sales here, he said. ■



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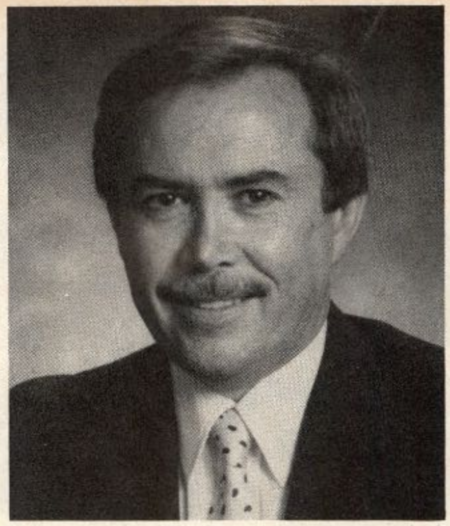


Pat Cooper

At Hapag-Lloyd

How do you convince a staff, accustomed to conducting business amidst oceans of paper and mountains of files, to rely on memory banks, not hard copies?

You hide their pencils and note pads.

At least that's what Hapag-Lloyd's director of customer services, Ray Watson, admits to doing as he brings Hapag-Lloyd's customer service operations into the world of automation.

Eighteen months ago Hapag-Lloyd made the decision to automate their logistics and customer service functions—a decision that culminated in the introduction of their Customer Interface System, an on-line service that enables customers to access Hapag-Lloyd's database for the purpose of tracking, booking and keeping generally informed about the status of their shipments.

Most carriers who now offer on-line service to their customers developed such systems as an outgrowth of pre-existing internally automated tracking and booking systems.

Hapag-Lloyd approached the problem a little differently, automating internally and externally all at once.

Although a relative newcomer to automation, Hapag-Lloyd has been quick to recognize the resulting benefits to its organization.

Ray Watson, who believes that automation of the shipping industry is the "greatest change since containerization," is pleased to see that the all-in-one effort seems to have brought parts of the organization closer together.

As for his own staff, he observed, "the customer service people have been in the midst of development of the system, so it's theirs."

Hapag-Lloyd's Customer Interface System offers a selection of service options which include sailing schedule updates, booking ability, container tracking, document transmission, arrival notices and electronic mail.

In order to access Customer Interface System, a customer does not have to know specific bill of lading, or equipment codes. This information appears on the screen as the customer logs on with his assigned secure identification number.

An extra-added feature of Hapag-Lloyd's on-line service is the inclusion of an information bulletin which gives updates on pertinent news such as conference rate changes.

Of all the features of the Customer Interface System, Watson is particularly pleased with the five to six days' savings that has been achieved through automated transmission of arrival notices.

Hapag-Lloyd's Customer Interface System is not radically different from what other ocean carriers have done in this field, and the company readily admits this. Hapag-Lloyd sees automation as a fact of life gradually gaining momentum in the ocean transportation industry. "It will all be the same with the container carriers," said Watson.

Watson, who began his shipping career with the Military Sealift Command, and has served eighteen years with Hapag-Lloyd, is a firm believer in the benefits of automation, and particularly in the paperless environment.

"If you can eliminate just one piece of paper in a transaction, you're accomplishing something."

He sees automation as a near-guarantee for higher productivity within his organization.

As for Watson's success in achieving a paperless environment within Hapag-Lloyd's customer service division, to his chagrin, he's found that craftily secreted pencils and notepads are very easily replaced!

At Westwood

Pat Cooper, Houston-based regional manager for Westwood Shipping Company, believes Westwood's electronic mail tracing system, "Track-Plus," is "just about the easiest automated tracking system to use." Westwood has been using "Track-Plus" for Pacific-eastbound shipments for about a year now.

Eager to avoid what Cooper terms, "arcane log-on procedures and spending time sitting at a computer screen," Westwood opted for ease of use in developing a customer information system.

All a customer needs is a personal computer and modem to check his electronic mail box each morning for an updated status report on his import delivery schedule.

"Track Plus" operates through an electronic mail system by the name of "On Time" which was developed and passed along by Westwood's parent company, Weyerhauser. "On time" operates with local telephone numbers throughout the United States.

Cooper pointed out that "Track Plus" is not for every customer, and that Westwood is careful not to mass-market the system, preferring to reserve it for consistent high-volume accounts.

After determining whether the account really needs the system, Westwood monitors use for thirty days to see if the customer is reading his mail on a regular basis. "If they're not using it," Cooper pointed out, "maybe they don't need it."

"We stay with them to make sure it becomes a part of the way they operate," Cooper added.

He further explained that receiving daily updates on shipment status enables an importer to easily make last-minute routing diversions. This is a valuable tool when unexpected inventory shifts are needed. ■

Picking a Program For NCBFAA

Lots of issues are before the brokerage/forwarding industry as it gears for its annual conference March 6-11 in Scottsdale, Arizona. Senator Dennis DeConcini is billed as keynote speaker. *By Richard Knee*

As customhouse brokers and freight forwarders from around the country plan their annual conference, which is set for next month in Scottsdale, Ariz., it's seldom easy to predict what the burning issues will be.

"The topics can change so rapidly that an issue that's hot right now might be moot next month," remarked John Peterson, program chairman for the March 6-11 gathering of the National Customs Brokers & Forwarders Association of America, Inc.

Too Hot to Handle. There is one issue, however, that is so hot that Peterson—who is also president of Wayne M. Withrow & Company in Los Angeles—removed it from the agenda. The program was to include a panel of air couriers explaining their operations, particularly with respect to customs clearance.

Brokers have been complaining long and loud about what they feel is preferential treatment of air couriers by U.S. Customs Service field personnel.

And, Peterson said, some brokers are so vehement in their feelings on the matter that "I'm afraid the workshop would be a shouting match, instead of a constructive panel."

He also said he doubted the brokers would be "interested in what the couriers have to say."

The Issues. There are a number of issues that will probably still be current when the conference convenes:

— Brokers believe Customs is moving too fast with its automated programs, that the agency jumps into new systems before working the bugs out of existing ones.

That promised to be an issue at last October's Western Cargo Conference, put on by the Pacific Coast Council of Customs Broker and Freight Forwarder Associations, but mention of it there was scant.

Not so this time around, Peterson declared.

"If nobody else brings it up, I will," he vowed.

— Automated Broker Interface is giving way to the broader topic of electronic data interchange as a front-burner topic.

"ABI is a given," Peterson noted, "so now we're looking at the overall aspects of EDI."

— Attendees will receive an update on the Harmonized System, which will affect certain segments of the U.S. trading community despite Congress' failure to approve ratification of the tariff code before adjourning its 1987 session.

In fact, Washington observers doubt the United States will implement the system even by next January.

For the HS to go into force then, ratification would have to come by this summer and there appeared to be scant impetus in that direction as the 1987 session was closing.

This presents problems for U.S. exporters and freight forwarders, which must tailor their data to both the HS, which many of the nation's major trading partners, including the European Economic Community and Japan, have adopted, and the Tariff System of the United States of America, which remains in force here.

Peterson blamed Sen. Lloyd Bentsen (D-TX) for Congress' failure to approve HS ratification.

Bentsen, through his success in fighting ratification, "single-handedly will make the entire country look like a stupid jerk in the eyes of the rest of the world," Peterson said.

— Customs will present an update on its controversial Day One program.

— Operating multiple offices presents special problems for brokers. Under new regulations, for instance, every broker's office must have at least one licensed broker.

— The brokerage/forwarding business "is loaded with stress," Peterson said. One workshop will focus on stress management.

Speakers. Sen. Dennis DeConcini (D-AZ), who sits on the Senate Appropriations Committee, is ticketed as keynote speaker at the conference.

Peterson said he was unsure of who else, particularly from Customs, might address the gathering.

Conference planners invited Customs Commissioner William von Raab to speak and were hoping to get all the regional commissioners to attend the conference, Peterson said.

Von Raab and the regional chiefs "meet at least four times a year, anyway," Peterson noted, and their doing this in conjunction with the NCBFAA conference would offer the opportunity for some good dialogues between Customs and the brokers.

Conference planners hoped also to draw a congressional aide familiar with the issues of concern to the industry, he said.

Conference Information. The gathering will be held at the Scottsdale Princess Hotel and will feature the usual assortment of recreational and social as well as business activities.

A daily hospitality center and optional planned activities will be open to conference participants' companions.

To register or obtain additional information, persons may contact the association at 5 World Trade Center, Suite 9273, New York 10048; phone (212) 432-0050.

Harmonized Tariffs Stay on Hold

Contrary to the fears of a number of U.S. exporters, they will not have to provide shipment data to comply with two reporting systems, even though the United States failed last year to ratify the Harmonized System of tariffs that many of the nation's major trading partners are implementing this year.

For one thing, documentation for customs agencies abroad is usually handled by importers, noted Arthur J. Fritz, Jr., president of the National Customs Brokers & Freight Forwarders Association of America, Inc.

Ergo, Fritz said, exporters here would need to provide HS-based information only if their customers needed it.

Secondly, the U.S. Bureau of the Census has told exporters not to use the HS-based version of the Schedule B freight classification system until further notice.

"Exporters, freight forwarders and carriers should not use the new January 1, 1988, edition of Schedule B," the bureau said in a December 21 memorandum. "You should continue to report in terms of the current seven-digit 1987 Schedule B until you are notified to begin using the new 10-digit HS-based classifications."

Exporters using the 1988 versions of Shippers Export Declaration forms "should ignore the Check Digit column; report shipping weight in pounds, not kilograms; and not report TSUSA (Tariff System of the United States of America) numbers for export shipments," the Census memorandum stated.

Hanjin and KSC Move Closer

Two Korean carriers in further rationalization of service. Full merger not seen for 2-3 years. *By Bruce Vail*

The Federal Maritime Commission has given the green light for Hanjin Container Line and Korea Shipping Corporation to fully integrate their intermodal services.

The FMC granted permission, under an expedited review, to Hanjin and KSC, to cooperate in matters of inland transport, equipment control, and other intermodal operations. Earlier FMC approvals have allowed the two lines to engage in slot chartering on one another's vessels and to have common terminal arrangements.

The cooperation on the inland side represents another step toward the full merger of the two companies. According to Raymond Cunan, Hanjin's general manager for operations in North America, the two companies are likely to become one in "two or three years. The Korean government wishes it but under the law they can't force it. I think the government's wishes are being respected."

Deployment. The immediate effect of the increased cooperation will be the coordination of vessel schedules for the carriers' Pacific Coast service. This is scheduled for mid-January.

Cunan said the vessel itinerary of Korea Shipping would be altered to drop the ports of Seattle and Hong Kong. This will eliminate the overlap between Hanjin's Pacific Northwest service and KSC's California service, he said. Hanjin's vessel deployment, which includes an all-water East Coast service calling also in Long Beach, is unaffected.

Sales and pricing activities will remain separate in the immediate future. Cunan said that Hanjin's lawyers have advised the company not to seek FMC approval for this type of cooperation until after the formal merger is complete.

The same person is setting general pricing policy for both lines, even though they remain competitors. This is not in itself illegal, according to attorney Larry Minch of Lillick McHose & Charles, a San Francisco-based firm specializing in admiralty law.

The Federal Maritime Commission "has the power to authorize lines to cooperate in any manner, including pricing," Minch noted.

The Hanjin-KSC agreement that has received FMC approval gives the two carriers carte blanche, basically, on what they may discuss.

Conferences. Neither carrier is a member of the rate agreement governing movements of cargo from the Far East to the United States. On the westbound leg, however, Hanjin maintains membership in the Transpacific Westbound Rate Agreement (TWRA) while KSC does not.

A notable effect of this arrangement is the possibility that a KSC box and a Hanjin box carrying the same type of cargo, sitting side by side on the same ship, loaded at the same port and bound for discharge at the same port, may carry two very different rates.

This is mostly a theoretical effect, Cunan said, because "for all intents and purposes westbound cargo is not controlled anyway," by the TWRA tariff.

The overwhelming majority of the cargo Hanjin is carrying, he said, is moving either under service contract or an independent action rate and therefore unaffected by the regular conference tariff.

This arrangement is not unprecedented either, Cunan noted. In the past, Orient Overseas Container Line and Neptune Orient Line had a space chartering agreement when one carrier was a conference member and the other an independent. This has changed and both of these carriers are full conference members. ■

OMI Joins EAC in Tanker Venture

OMI eases its tax burden through joint venture with EAC. *By Elizabeth Canna*

With the goal of using foreign joint ventures to protect earnings, OMI Corp. recently announced one of a number of such partnerships, this one with the East Asiatic Company Ltd. A/S (EAC, a Copenhagen-based international shipping group.)

The new jointly-owned company has been named Rubicon Tankers Ltd. and will concentrate its activities in the international product tanker market.

The primary reason for the joint venture, according to OMI corporate spokesman, Peter Long, is "to lessen tax burdens." In addition, Long said, the new partnership will provide OMI an entree to foreign financing sources and will offer benefit of additional marketing opportunites available through EAC's international network.

Rubicon Tankers Ltd. is commencing operations with three vessels. The 80,000 deadweight ton (dwt) product carrier newbuilding, *Panda*, is being provided by EAC. OMI is contributing the twelve-year old, 39,000-dwt petroleum product carriers, *Ottawa* and *Saguenay*.

Panda carries a Bahamas registration, *Ottawa* and *Saguenay* are registered under the Liberian flag.

New Vulnerability. With the passage of the Tax Reform Act of 1986, OMI, like other U.S.-owned shipping companies operating foreign fleets, found it could no longer defer the earnings of its non-U.S. flag vessels. In its 1986 annual report, the company stated, "OMI is reviewing its foreign investments to optimize its economic position."

OMI's vulnerability is significant. Approximately one-half of OMI's fleet of 27 vessels operates under foreign registry. In terms of deadweight tonnage, this represents about 62% of the fleet. Rubicon is part of OMI's planned expansion into foreign joint ventures, according to Long. In 1986 OMI formed a joint venture with Anders Wilhelmsen & Co.

Debt Restructuring. OMI has been undergoing a debt restructuring effort, which, according to president Jack Goldstein, "has been completed."

Key to this restructuring was creation last year of an Employee Stock Ownership Plan where 2.67 million shares of common stock were issued with the goal of generating sufficient cash to repay $10 million of existing debt to the Ogden Corp., OMI's former parent.

A repayment to Ogden could indicate a management change at OMI since Ogden holds three seats on OMI's board.

OMI's third quarter 1987 results indicated a net loss of $7,907,000 for the first nine months of 1987 compared with $29,111,000 the same period in 1986.

The 1987 losses, according to an OMI statement, reflect pretax extraordinary charges of $8,350,000 in the third quarter and $11,452,000 refinancing related costs during the first nine months. The 1986 nine-month results included a pretax write-down of vessels and other assets coming to $36,100,000.

OMI's stock, which is traded over the counter, suffered an 11% drop in the October 19 market crash of last year. The stock closed on October 19 at 4 7/8. Since then, it has dropped further, closing on Friday, January 8, at 4 even.

EAC, which, unlike OMI, has interests in both liner and bulk shipping, fared well during the crash, losing only 8% on Oct. 20, the day foreign markets reacted to the crash. On Oct. 20, EAC's stock closed at $32.54. Since then, it dropped further, closing at $27.30 January 8. ■

Pacific Growth Slowing

Transpacific market trends, transportation issues, and carrier-shipper implications are aired at meeting sponsored by the National Research Council's Transportation Research Board. *By Tony Beargie*

The U.S.-Far East container trade will undergo a signficant drop in growth over the next few years, according to a study recently completed by the research firm of Temple, Barker & Sloane, Inc.

Imports coming into the U.S. from the Far East are no longer growing at an average 19 percent rate as they did between 1982 and 1986. Rather, between now and 1991, they are expected to grow only at a rate of between five and six percent per year. Exports from the U.S. to the Far East are projected to grow nine percent yearly up to 1991, as opposed to the eight percent growth experienced between 1982 and 1986.

However, the above-reported growth rates do not take into account the possibility of a business recession in 1988 or 1989, according to TBS principal John G. Reeve. If a serious recession occurs, Reeve predicted that the already moderate growth projections would have to be trimmed by two or three percent.

Overall, U.S. container imports will continue to be dominated by freight coming from the Pacific Basin, according to the TBS study. These are projected to grow from 57 percent in 1986 to 64 percent of the overall U.S. container import picture by the year 1991. Western Europe will account for 24 percent of container imports, while Latin America will account for nine percent, according to Reeve. This would mean a four percent drop and a two percent drop from Western European and Latin American markets, respectively.

More Consolidations Predicted. Over the next five years, pressures for business consolidations will continue among vessel operators, as will the trend toward building larger vessels, instituting multiple services and intermodal networks which will bring about the already noticeable trend in the development of the "total transportation concept."

In the transpacific the growth in the average size of containerships was documented by TBS at an 83 percent increase in size between the years 1982 and 1987.

For all carriers in the trade, the average container vessel jumped from a 1,059 TEU capacity to a capacity of 1,940 TEUs.

Among the major carriers, American President Lines increased its average vessel capacity from 1,259 TEUs to 2,427 TEUs in 1987, showing a 93 percent increase in size; Evergreen shot up from averaging 848 TEUs in 1982 to 2,277 TEUs in 1987, registering a whopping 169 percent growth; Maersk went from 1,567 TEUs in 1982 to 2,588 in 1987, showing a 65 percent change; and Yang Ming registered a 115 percent average growth size, going from a 1,156 TEU average to 2,481 TEUs.

The trend will continue as witnessed by the current building programs of the Transpacific operators, with most of the companies hitting the 3,000 and over TEU capacity mark.

Ships on Order. Indeed, figures presented by TBS show that APL has five vessels under construction averaging 3,800 TEUs for a total of 19,000 TEUs. Cosco has two vessels under construction averaging 2,700 TEUs. Evergreen has seven under construction averaging 3,428 TEUs per ship, for a total of almost 24,000 TEUs. Maersk has nine under construction averaging 3,400 TEUs per vessel for a total of 30,600 TEUs. NYK has three being built averaging 3,000 TEUs, while Yang Ming has four under construction averaging 3,042 per vessel. The total for the Far East trade comes to 100,164 TEUs in new carrying capacity, which is almost 50 percent of the total world trade. In all other areas of the world, the TEU capacity under construction was documented by TBS to be 103,936.

Larger vessels have cut operating costs per TEU mile (at 20 knots) from \$0.030 to \$0.018, it was noted.

As industry concentration grew between 1982 and 1987, so have the number of routes served, from 36 to 48. The number of carriers during the five-year period dropped from 31 to 28. Also, the top 10 carriers have increased their control of the trade from 58 percent in 1982 to 71 percent in 1987. Reeve noted that this concentration is evident worldwide "as the industry matures."

Vessel operations now account for 28 percent of carriers' costs. The highest cost is now in the port terminal operations, 29 percent. Inland operations account for 20 percent, followed by sales and overhead at 13 percent, and container equipment and chassis at 10 percent.

Vessel operations now account for 28 percent of carriers' costs. The highest cost is now in the port terminal operations, 29 percent. Inland operations account for 20 percent, followed by sales and overhead at 13 percent, and container equipment and chassis at 10 percent.

Growth in Double-Stack. The carriers' increased control over inland cargo movements was noted in the TBS study. Here, APL leads the way, increasing its double-stack control from 55,000 FEUs in 1985 to 181,000 FEUs in 1987. Sea-Land increased its control from 37,000 FEUs in 1985 to 87,000 in 1987. K-Line and Maersk had none in 1987 but now have control over 33,000 and 31,000 FEUs, respectively. Evergreen, Mitsui and Hanjin also had none in 1985, but now they have control over 16,000, 26,000 and 7,000, respectively.

Vertical Integration. The move toward vertical integration or the diversification by carriers into value-added services was also noted by TBS. Here, consolidations were noted, as were moves into the domestic trucking, freight forwarding, NVOCC, logistics management, warehousing and customs broking fields.

Reeve said that the need for carriers to vertically integrate has been driven by several forces:

- To improve service to shippers;
- To differentiate service products;
- To balance traffic flows;
- To improve profitability;
- To hedge against volatility and excess capacity.

Overall Implications. Reeve's study pointed out the overall implications for carriers and shippers in the Far East trades.

For carriers, the slowing growth (referred to above) increases the risk of overcapacity. Also it was noted that transportation services are becoming more complex, and the investment threshold for ocean carriage is increasing. The latter is up "dramatically," Reeve said, adding "we are now looking at billion dollar enterprises" rather than those in the $100 million category. "A carrier can no longer be just a ship operator," Reeve said.

Implications for shippers, according to Reeve are: fewer, but larger carriers to deal with; a broader range of services provided by the carriers; and increased opportunities for shipper-carrier partnerships in customized services and long-term relationships.

Larger Boxes. During a question and answer session, Reeve predicted that container sizes will "gradually increase" in the transpacific. "The 40-foot box is (now) reasonably accepted, and I would not dismiss the possibility of going to 50-foot containers," he said.

However, a participant from the audience noted that by the end of 1988, there will be some 30,000 new 45-foot containers available.

Since double-stacking is more competitive over long runs, this will continue to be basically confined to shipments off the West Coast, Reeve indicated. For Atlantic port traffic, trucks will continue to be dominant, he said. Double-stacking is more adaptable to West Coast traffic, Reeve said.

With an expected increase in consolidations, Reeve was asked if shippers face the risk of decreased competition leading up to a monopoly-type situation. "Clearly, once there is a decrease in the number of companies you run this risk," he said, "but I think the number of companies is high enough" to avoid this risk.

"I do not see a major risk to the shipper," he continued, adding that shippers actually want to deal with fewer transportation links. "I do not see a major need for heavier regulation," Reeve said.

European Point of View. Professor Horst Linde, of the Technical University of Berlin, was on hand to give a European's perspective on the Far East trade picture.

While offering the "largest ... most important shipping potential in the world," the transpacific trades are not heavily occupied by European companies, since they are, for Europeans, regarded as cross-trades. The trades compose "a comparatively far-away shipping region for a shipping industry being naturally more interested in home-trading than in cross-trading," he said.

However, some European, particularly Scandinavian companies, are still in the Pacific trades and they are "developing a fairly progressive business policy," Linde said.

There is a trend toward "multi-regional liner services" on the part of the Europeans leading up to worldwide operations. Here, there is the use of transshipping. "Geographical and economical characteristics of the Western/-Southwestern as well as of the Eastern/-Southeastern rim of the Pacific area make practical developments in this direction very probable," Linde said.

Warning To Conferences. Reforms are needed in the liner conference system, Linde said, such as defining tariff systems. He said the conferences are "undercutting their own rates." The conferences are "undermining themselves."

"It is no secret that liner conferences ... now are in a critical, endangered, defending position," he said. They have "widely lost their market leading role and their major functions are no longer satisfactorily working as intended, or actually no longer working at all." ■

Taiwan Dispute Near Settlement

Indications are that the U.S. and Taiwanese are close to an agreement that will satisfy U.S. flag carriers, and hopefully, the Federal Maritime Commission. *By Tony Beargie*

Faced with tough sanctions proposed last December by the Federal Maritime Commission, Taiwanese and U.S. officials are apparently on the verge of wrapping up an agreement that they hope will avoid FMC action that would disrupt the trade between the United States and Taiwan.

It has been reported by the U.S. Department of Transportation that the Taiwanese have agreed to confirm in writing acceptance of the U.S. position on the two chief issues of the FMC proceeding—namely, that U.S.-flag carriers be allowed to own and operate dockside equipment and facilities in Taiwan and that they also be permitted to obtain licenses to operate container terminals there.

Restrictions imposed by the Taiwanese have long been a thorn in the side of American President Lines and Sea-Land Service, the two chief U.S.-flag operators in the trade. These restrictions have allegedly impaired the two carriers' intermodal operations in the area.

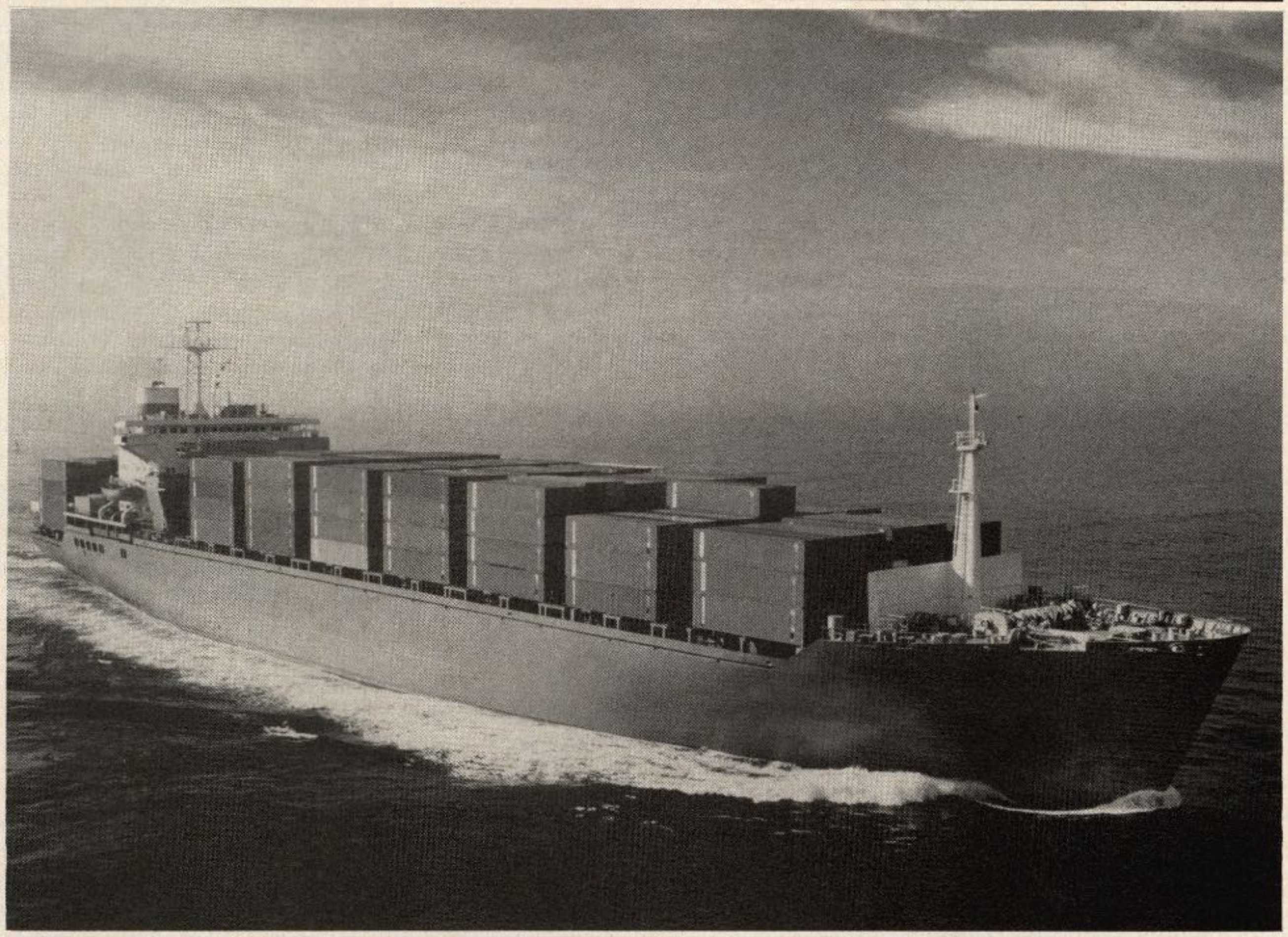
Progress in resolving the long-standing issues (which are also being dealt with legislatively in the omnibus trade bill on Capitol Hill) came to public light in a standard FMC notice granting parties additional time to file comments in the agency proceeding. (Comments were originally due January 7. The new filing date granted by FMC is now March 7.)

Furthermore, attorneys for Orient Overseas Container Line (one of the three Taiwan-flag carriers whose services could be suspended under the FMC's proposed sanctions) disclosed that a new lease agreement had been signed between American President Lines and the Kaohsiung Harbor Bureau in Taiwan, and that a similar agreement was expected in the very near future between the Harbor Bureau and Sea-Land Service, Inc. These agreements are the product of negotiations that took place in Taiwan in late December and early January between the two U.S. flag carriers and Taiwan authorities.

FMC Sanctions Opposed. Meanwhile, the Federal Maritime Commission received a number of complaints over the proposed sanctions. Those opposing the proposed measures included: The Hechinger Company, a major importer of Taiwanese goods; the Virginia Port Authority and Virginia International Terminals; Evergreen Marine Corporation, one of the three Taiwanese flag carriers that would be barred from calling at U.S. ports should the FMC go forward with its proposed sanctions; the Port of Baltimore (through the Maryland Port Administration); Maher Terminals, Inc.; and the National Association of Stevedores.

The Hechinger Company, a well-

There's a Fine Line Between Here

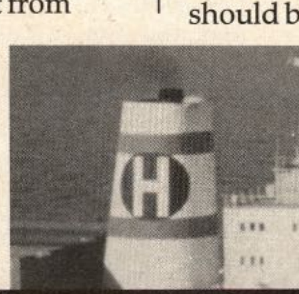


and Australia/New Zealand.

While the distance may be great, it takes a Fine Line to span-the-gap the way Hong Kong Islands Line does. With point-to-point service, HKIL offers the fastest direct transit from the Pacific Northwest to Australia/New Zealand.

When you ship with Hong Kong Islands Line, our dedicated team of professionals ensures that your cargo arrives on time. Fast, direct, point-to-point service.

So when your cargo needs to get from here to there, your choice should be clear cut.



Call the Fine Line. Call HKIL.

Hong Kong Islands Line

known operator of some 69 retail home improvement centers in eight Eastern states and the District of Columbia, said imposition of the proposed sanctions would bring "severe" economic harm to the company, as well as other importers.

Hechinger's transportation director Gerald S. Goldman noted that about 95 percent of the company's Far East imports are from Taiwan, and that about 80 percent of those are carried by Taiwan-flag carriers under long-term service contracts.

"The (FMC's) proposed rule to suspend tariffs of Taiwan-flag carriers, if implemented, would impose severe economic penalties on (the) Hechinger Company and would cause major disruption to our distribution operations," Goldman told the Commission.

In 1987, Hechinger imported over 400 containers from the Far East and, in 1988, Goldman estimates that this figure will go over the 500 mark.

Should the three Taiwanese carriers (Evergreen Marine Corporation, Yang Ming Marine Transport Corporation, and Orient Overseas Container Line) be barred from calling at U.S. ports, Hechinger would be forced to find other means of transportation for its 1988 imports "at ocean rates substantially higher than those provided under our existing service contracts," Goldman said.

"Hechinger believes that the overall economic impact on our economy would vastly exceed the economic impact on U.S. flag carriers," Goldman concluded. "Hechinger believes that the 'use of a sledgehammer to kill a fly' approach to solving the problem is not warranted due to the severe economic impact it will create."

Maryland Port Administrator David F. Wagner urged the FMC to drop the matter and turn the dispute over to the Department of State or the Office of the U.S. Trade Representative.

In effect, the MPA administrator argued that the proposed FMC sanctions would harm U.S. interests more than they would harm the Taiwanese carriers or the Taiwan government.

"An impact of this proposed rule would be to create an economic burden on U.S. ports and the investment of public funds in those ports served by the carriers singled out by this (FMC) action," Wagner told the Commission.

"The Taiwan carriers named in this action are common carriers of maritime cargo and do not make national policy with respect to port and inland operations in Taiwan," Wagner continued. "Therefore, by enforcing this action against these common carriers, the punitive impact would fall on U.S. ports, the transportation infrastructure, and American labor rather than wholly on the Taiwan government which created the policy that is the subject of this FMC action."

FMC Urged To Consider All Interests. The National Association of Stevedores maintained that it is neutral in the dispute which prompted the FMC order but, at the same time, urged the Commission to consider the interests of *all* participants in the bilateral trade between the U.S. and Taiwan before issuing sanctions. "There are more interests involved than the complaining U.S. flag carriers," NAS executive director and general counsel Thomas D. Wilcox told the FMC.

While the proposed sanction might help resolve the dispute between the U.S. carriers and the Taiwan Government, the stevedoring industry association questioned "whether the harm and injury to other U.S. interests can be justified on that basis."

Wilcox noted that "not all U.S. ports afford (the) Taiwanese, or any other carrier for that matter, all of the things U.S. flag carriers have sought from the Taiwanese."

"For example," Wilcox continued, "not every U.S. port permits carriers of any nationality to operate a marine terminal within that port." It was noted that "some U.S. port authorities operate marine terminals to the complete exclusion of other entities."

"The NAS respectfully requests the Commission to consider other sanctions or pressure mechanisms than those proposed in its order, and when framing such alternatives, carefully consider the substantial financial interests of U.S. citizen ports, terminal operators, stevedores, and shippers," Wilcox concluded.

VPA Notes Two Good Customers. The Virginia Port Authority and the Virginia International Terminals, the VPA affiliate that operates VPA-owned terminals in Norfolk, Newport News, and Portsmouth, noted that two of the three carriers targeted by the FMC proposal, namely, Evergreen Marine and OOCL, are major customers.

Evergreen is Hampton Roads' number one customer since it handled nearly 640,000 tons of cargo in 1986, and OOCL is also another good customer, accounting for almost 250,000 tons of cargo during that year. And, while Yang Ming does not yet serve Hampton Roads, the shipping line "has been and continues to be a focal point for port marketing efforts," VPA's deputy executive director and general counsel J. Stanley Payne, Jr. told the FMC.

VPA stressed that it is "not unsympathetic with the plight of U.S. flag carriers abroad if unfair burdens are being placed upon them," but on the other hand, Payne continued, "there are other interests of equal importance that must also be recognized" that make the FMC proposal "unjust and inappropriate."

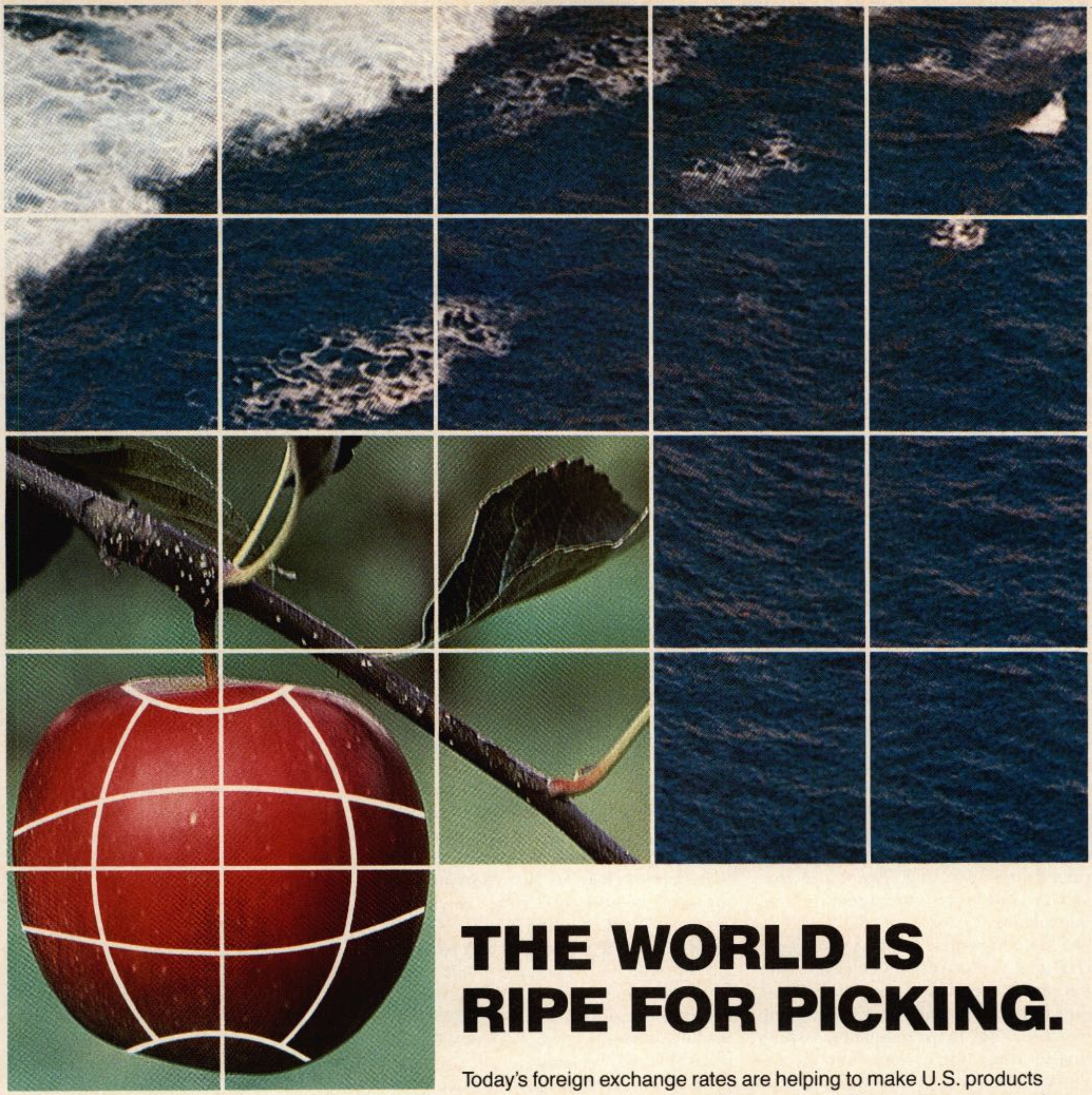
In the U.S., many carriers are faced with essentially the same situation that the U.S. carriers are facing in Taiwan, Payne indicated. "The structural inability of steamship lines to operate their own terminals in Taiwan is a foundation of this (FMC) investigation," Payne said. "In many U.S. ports, public authorities and terminal operators make major equipment purchases, not steamship lines, so again the situations seem similar."

FMC's proposed remedies are "troubling," Panye said. "The alternatives, boiled to their essence, are that the Taiwanese carriers are barred from the U.S. trades, or their terminal agreements with U.S. ports are suspended. 'An eye for an eye, a tooth for a tooth' is the thrust, U.S.-flag carriers are hurt by the Taiwanese government, Taiwanese carriers are to be, in turn, hurt by the U.S. government. There is no consideration given in this retaliation to other interests, however, such as shippers denied the services and competition of Taiwanese carriers or U.S. ports, which have invested millions of dollars based on the projected flow of the cargo of these lines."

Payne disclosed that "virtually every major port in the United States had vied for the business of Taiwanese steamship lines," and that VPA has enjoyed success in this endeavor. In fact, Payne continued, partnerships with the Taiwanese carriers, especially Evergreen, have fostered innovations such as VPA's dual hoist cranes and the Virginia Inland Port "that may change the face of the port industry." He went on to claim that "anachronistic trade patterns and naturally tributary areas have been dissolved as these partnerships have developed."

The public in general has played a role by purchasing revenue bonds, Payne noted. "So, quite simply, what the Commission proposes to do, in one fell swoop, is impair contracts that the Virginia Port Authority has with its bondholders, seriously burden the financial foundation of the Virginia International Terminals, and work to undo the accomplishments of several years and more than one Virginia governor in securing the flow of this cargo to the Port of Hampton Roads," Payne told the FMC.

Payne concluded that the VPA will not stand by and permit "the arbitrary and ill-advised shifting of" the burdens of the alleged practices by the Taiwanese from U.S.-flag carriers to the Port of Hampton Roads. "We stand ready to take every step necessary to protect these interests," Payne concluded. ■



Johnson Maritime Survival Plan

Johnson Maritime Services president, Bertil Wetter, talks about what it takes to survive as a steamship agency today. *By Elizabeth Canna*

Joint ventures, a broad base of financially sound clients, and a good accounting system are Bertil Wetter's main ingredients to achieving success in the steamship agency business.

Wetter, who is president of New York-based Johnson Maritime Services, Inc., firmly believes that without these factors, the chances for making it in today's highly competitive shipping environment are questionable. And what he believes must make sense since Johnson has, indeed, survived at a time when many fellow agents have not shared such good fortune.

Partnerships. Partnership through joint ventures is at the top of Wetter's list as the most logical way to ensure success. Just as ocean carriers have found economies in slot charter arrangements, Wetter sees similarly-structured agreements as useful for steamship agencies. "It's a practical way of sharing expenses and still remaining independent," Wetter said.

In fact, it was with a partnership in mind that Johnson first decided to enter the agency business in the U.S. in 1982. When Johnson's intended partner, Hansen & Tideman, ceased operations, Johnson opened up shop on their own starting out as a U.S. Gulf husbanding agent for non-liner carriers.

In 1985, however, Johnson did establish a joint venture in New Orleans with Southern Steamship Agency and Overseas Freight Corporation for husbanding services. The three agencies, which remain competitors, share administrative and other service functions such as boarding. "In my opinion," said Wetter, "[the joint venture] has been very successful."

Just last year, Johnson entered into another similar three-way joint venture in Houston with Gulf & Eastern Steamship & Chartering Corp. and Rice-Ocean Shipping, Inc.

Unfortunately, despite Wetter's strong desire to extend this type of cooperation into the general-agency, liner end of his business, he has as yet been unsuccessful in convincing other liner agencies to participate. "Being a general agent is very expensive because so much is required," said Wetter. It is, in fact, probably 50% more expensive than being a husbanding agent, considering the marketing and sales support that must be provided, he explained.

Bertil Wetter
President
Johnson Maritime Services

General agents in the United States could, within U.S. antitrust regulations, build cost-saving partnerships, but, according to Wetter, "the interest is very low."

Know Your Principals. One risk run by every steamship agent is the risk of being left at the pier holding the bill. For this reason, Johnson is very clear about its selection criteria for possible clients.

In deciding whether to accept a potential principal, Wetter said, "we would look for their standing—who has something to lose besides money—perhaps a name."

It is important not to finance the lines, to make sure there are sufficient funds in the carriers' accounts before rendering services, Wetter cautioned.

He also hastened to add that Johnson has not run into the difficulties other steamship agencies have with unreliable or insolvent principals. "If you look at the lines we represent, you'll see we have no problems," he said.

Invaluable to keeping on top of a wide range of different client accounts is a good accounting system.

Agency accounting is extremely complex, and finding appropriate software to cover all the vicissitudes is very difficult, Wetter pointed out. He is currently seeking new accounting software for Johnson Maritime, but as yet has not come across any good packages. "We will have to take a package and modify it," he said.

Broad Base. Two or three major representations are necessary for a steamship agent to form the all-important broad base, particularly for a medium-sized operation, in Wetter's opinion.

Johnson Maritime's major liner principals are: Turkish Cargo Lines, for which Johnson serves as general agent; Grancolombiana, who has Johnson as their New York local agent; and Nedlloyd, for which Johnson serves as New England local agent.

Other Johnson lines include Johnson ScanStar, Samband Line, Marlago-West Indies Transport and Dafra Line.

Johnson's broad base also includes an extensive husbanding business in the Gulf, where nearly 98% of Johnson's activities center around this type of service.

In the North Atlantic, the opposite situation holds true. Here, nearly 90% of Johnson's activities are involved with liner carrier representation.

This is precisely the kind of foundation that Wetter believes is necessary for the medium-sized agency to achieve, and the type of agency a medium-sized carrier should look for.

As for the trend among some larger carriers to opt for self-representation, Wetter observed, "I don't think there is any other choice for bigger lines."

For a medium-sized agency, however, a broad base can sometimes cause problems when the agency's liner clients place heavy demands on the agency's sales and marketing services. Wetter does not favor the idea of line-dedicated sales forces because of the inherent expense and the inconvenience to the customers who end up having to see a different sales representative for each trade route the agency represents.

Another problem, which may become more prevalent, is the problem of an agency representing conflicting carriers. Wetter believes that with the growing lack of available agencies, carriers "may have to live with a certain amount of conflict."

Wetter, who has served the Johnson group for 31 of his 37 years in shipping, is optimistic about the future for Johnson Maritime.

"A competitive agency," he said, "is always looking around for new business—keeping the tentacles out." ■

Eugene Gartland Leaves San Francisco Port Job

Eugene L. Gartland, executive director of the Port of San Francisco, announced he will leave the office January 2 to make room for a new director to be chosen by newly-elected mayor Art Agnos.

When Gartland took the port's helm in October 1983, to succeed the deceased Edward L. David, it was with the understanding he would retire when Mayor Dianne Feinstein left office.

Gartland is leaving the port with a $20 million surplus, compared to $4 million when he took over. "We have done all this without adding staff," he said. ■

ANERA Gives Free Time For Tariff Snafu

It's a break for textile and apparel importers, which could face customs snags because of U.S. retention of old tariff system. *By Richard Knee*

U.S. textile and apparel importers might through month's end escape the extra demurrage costs arising from the snafus of a dual tariff system, but what happens from March on remains to be seen.

Ocean carriers belonging to the Asia North America Eastbound rate agreement, expecting possible bottlenecks at import gateways as a result of the United States' failure to ratify the Harmonized System (HS) of tariffs, have agreed to grant up to 15 days' "free time" for textile shipments.

The conference, covering shipping lanes to all three North American coasts from all of Asia except Japan, has the free-demurrage policy in force from January 5 to February 29.

A well placed source termed this a "trial period," noting textiles and apparel traffic is traditionally heavy this time of year.

No word had surfaced as this story went to press on whether independents in the trade would follow suit but officials with a couple of outsider lines said the possibility was strong.

Potential Problem. The potential for shipment delays stems from the fact that federal policymakers failed to enact legislation effecting the United States' participation in the Harmonized System while many of this country's trading partners—including Japan and the European Economic Community—have embraced the new tariff code.

Therefore, foreign suppliers might shift to the HS in their documentation without continuing to provide data conforming to the Tariff System of the United States of America (TSUSA), which remains in force here.

The affected shipments must remain in port while consignees go after the necessary information, which carries the risk of substantial extra demurrage.

Consequently, ANERA is offering free time of up to 10 days at members' container-freight stations and 10 to 15 days, depending on shipment size, at their container yards.

'Textiles Only.' The free time is being accorded to "straight loads of textiles only," the source said, because the commodity is highly vulnerable to such delays.

The U.S. Customs Service has tightened up its enforcement of import quotas, particularly for textiles, over the past couple of years, the source noted, and is likely to give close attention to textile shipments because tariff categories differ, at times sharply, between the HS and the TSUSA.

Elsewhere. Unknown at press time was whether the transpacific independents would make similar allowances.

A spokesman for Evergreen Marine Corporation, the world's largest-capacity container carrier, said word had not filtered down from company headquarters in Taipei or from the firm's North American headquarters in Jersey City, N.J.

He added, however, that outsider lines usually follow conference leads in such matters.

Hong Kong Islands Line, while not anticipating any problems, "would make provisions on a case-by-case basis" should the need arise, said Michael Manley, Oakland-based northern California regional manager.

"Normally, the independents follow suit," he added.

On the transatlantic side, meanwhile, no action is contemplated by the North Europe-Atlantic Conference, because textiles are "not a major mover here," said executive director Manuel Diaz.

NEAC would, however, "respond if we were asked" by the importing community to do so, he said. ■

FMC Expands Independent Action Probe

Following on the heels of a move by members of the Transpacific Westbound Rate Agreement to bar members from taking independent action so they can enter into loyalty contracts with shippers, five more conferences have initiated similar rules.

The new conferences joining the movement to bar independent action for the purpose of entering into loyalty contracts are the North Europe-U.S. Pacific Freight Conference; Gulf-European Freight Association; North Europe-U.S. Gulf Freight Association; U.S. Atlantic-North Europe Conference; and North Europe-U.S. Atlantic Conference.

The conferences would also prohibit members from entering into loyalty contracts.

The North Europe-U.S. Pacific Freight Conference rule was set to go into effect on January 11, while the other four conferences planned on putting their new rules into effect on January 18.

In an order consolidating the rules with a case already launched by the FMC regarding similar rules proposed by the Transpacific Westbound Rate Agreement members, the FMC said the new agreements under investigation "share common legal issues with the TWRA agreement.

Like the TWRA case, the five conferences were ordered to "show cause" as to why the rules should not be found to be in violation of the 1984 Shipping Act. (For coverage of the TWRA case when it was standing on its own, see the January 1988 issue of *American Shipper*, page 24.)

The newly named respondents (the five conferences) must file their affidavits of fact and legal memoranda by February 16. Replies by the FMC's Bureau of Hearing Counsel and those opposed to the agreements must be filed by March 17. The rebuttal deadline is April 1. Finally, requests for a public hearing or oral argument must be filed with the FMC no later than April 11.

The new FMC docket (now consolidated with the TWRA case) is FMC Docket number 88-1. The TWRA case was in FMC Docket 87-26. ■

Comments Due On Unique B/L

The sixty-day window for submitting comments in favor or against a new uniform bill of lading numbering system expires in the early days of this month.

Advisory of the new format was published by the United States Customs Service in the Federal Register on December 9, which puts the sixty-day response deadline at February 7.

The new numbering sequence is designed to provide carriers a distinct, unique bill of lading that will be compatible with U.S. Customs' automated manifest system. Individual carriers, of course, already have their own individual systems, but they're all different. The new system will ensure each carrier's bill of lading codes will fit within a standard format.

The sequence consists of 12 characters. The first four are alphabetic and will identify the carrier. The next seven will be letters, numbers or a combination thereof, and will identify the transaction. The last character will be a check digit.

After the expiration of the sixty-day comment period, Customs will then review feedback during a sixty-day review period. This means that in early April Customs will produce a final ruling on the unique bill of lading. ■

Record Currency Adjustment

TWRA raises Japan CAF to 28% and forward files for another increase to 45%. Bangkok crane charge to be implemented February 1. *By Elizabeth Canna*

In a move that underscores the impact of the escalating strength of foreign currencies against the U.S. dollar, the Transpacific Westbound Rate Agreement (TWRA) increased its currency adjustment factor (CAF) on January 1, to 28% from 24% for cargo moving from North America to Japan.

The rate-making group has filed in advance an additional increase in the Japan CAF which would bring the adjustment up to an unprecedented 45%, to become effective April 1.

TWRA also confirmed that the CAF for cargo moving from North America to Taiwan would be held at 7% until April 1, when it would be increased to 10%.

In announcing these increases, TWRA managing director, Ronald B. Gottshall, explained, "The yen's rapid acceleration against U.S. and Canadian currencies, and the more gradual but steady upward movement of the New Taiwan dollar, have increased costs significantly for carriers."

The expense of doing business overseas has, indeed, had an impact on the ocean carrier's pocketbook, according to Michael S. Chen, vice president of sales for Orient Overseas Container Line (USA), Inc.

The problem, said Chen, lies in carriers having to pay for stevedoring and other land-side services in local currencies.

The fate of the U.S. dollar, as measured against the Japanese yen, has certainly been no secret. Since the beginning of 1987, the yen has grown in strength by 23% against the U.S. dollar.

Similarly, the New Taiwan dollar improved its position vis-a-vis the U.S. dollar by 20% during 1987.

Reductions Possible. The conference, according to Gottshall, settled on these increases after carefully monitoring exchange rate fluctuations, which they will continue to watch over the course of the first quarter of this year.

Planning for contingencies in a marketplace fraught with uncertainty over the U.S. dollar is what caused the TWRA membership to vote for such high-level CAFs, Gottshall explained.

If the U.S. dollar shows promise of renewed strength against the yen and Taiwan dollar, reductions in the CAFs may be filed at a later date.

Any adjustments will be announced in mid-March.

Bangkok Crane Charge. A TWRA surcharge for cargo moving from North America to Bangkok previously scheduled to be implemented on January 15 was postponed until February 1.

The charge comes to 1,400 baht ($70) per 20-foot container and 2,400 baht ($120) for all other sizes of equipment for full container shipments. Cargo delivered to container freight stations will be charged 65 baht ($3.25) per measurement ton, or 80 baht ($4) per weight ton.

The surcharges are being imposed to defray carrier costs incurred because of a new Bangkok port authority requirement that all carriers use port-owned shoreside cranes at an additional fee.

TWRA membership is made up of American President Lines, Hanjin Container Lines, Hyundai Merchant Marine, Japan Line, Kawasaki Kisen Kaisha ("K" Line), Maersk Line, Mitsui O.S.K. Lines, Neptune Orient Lines, Nippon Yusen Kaisha (NYK), Orient Overseas Container Line, Sea-Land Service, Showa Line and Yamashita-Shinnihon Steamship Co. (Y-S Line). ■

Two New Shippers Groups Formed

Textile and apparel importers form the American Import Shippers Association while footwear importers launch the International Footwear Association. *By Elizabeth Canna*

The U.S. shipping community has two new shippers associations, both incorporated during December of last year.

The American Import Shippers Association (AISA) is made up of textile and apparel importers and retailers. Its membership, according to executive director Hubert Wiesenmaier, numbers at 14 "and growing."

The International Footwear Association (IFA) grew out of the membership of an existing trade association. IFA'S executive director is Ted Rowland. Its membership stands at about 45.

Both shippers groups recently began service contract negotiations with the Asia North America Eastbound Rate Agreement (ANERA), the rate-setting body with jurisdiction over transpacific eastbound traffic.

Rates A Priority. Negotiating favorable contract rates for his membership, which Wiesenmaier estimated imports an annual 40-foot container volume of approximately 10-15,000 units, is a priority.

There are three factors which Wiesenmaier sees as affecting the outcome of his negotiations on behalf of AISA:

- The extent to which AISA members are involved in individual service contracts;
- How much of a minimum volume the membership wants to commit to an AISA/ANERA service contract;
- Members' caution, which Wiesenmaier endorses, against committing total volume.

Another factor that Wiesenmaier feels will have an impact on his discussions with ANERA is the decline in the value of the U.S. dollar against Far Eastern currencies.

The dollar's downward slide will have an effect, "indirectly inasmuch as the volume increases are obviously not expected as in the past," Wiesenmaier said.

The effect, when coupled with an expected increase in carrying capacity in the eastbound transpacific trade, will work in the shippers' favor, Wiesenmaier added.

Wiesenmaier, who is also president and founder of Shippers Association Management (SAMCO), said he is in the discussion stages with a number of other industry groups who have shown interest in forming shippers associations.

SAMCO offers consultative services to trade organizations who, like IFA, form shippers associations.

Wiesenmaier's position as executive director of AISA is somewhat unusual since, in most industries, the logical course would be for the head of the trade association to also serve as head of the shippers association. In AISA's case, there was no pre-existing trade association.

Both AISA and IFA are located in New York City. AISA's telephone number is (212) 966-8810. IFA can be reached at (212) 714-2399. ■

Sea-Land Places 5 USL Vessels In Pacific Service

Dockside ceremonies in Honolulu on January 4 marked the start of Sea-Land's Pacific Express service that links Hawaii with the U.S. West Coast and the Asian Rim.

The weekly, five-ship service replaces an interim service undertaken by Sea-Land last August in the wake of U.S. Lines' bankruptcy.

The *Hawaii*, which arrived in Honolulu on the second leg of a voyage that began with sailings from Long Beach and Oakland December 29 and 30, was enroute to Guam and Taiwan, with arrivals scheduled January 12 and 16.

At the ceremonies, Sen. Daniel K. Inouye, who serves on the Senate Committee on Commerce, Science and Transportation and the subcommittee on Merchant Marine, said he expects Hawaii's economy to remain healthy in 1988.

In keynote remarks, Sen. Sam Nunn of Georgia, who chairs the Senate Armed Services Committee, cited Hawaii's role as a keystone to America's firstline defense in the Pacific, underscoring the importance of commercial shipping for the island's military support as well as its crucial role as a lifeline for the private sector.

"The five new Sea-Land vessels for Hawaii add 42 percent to our Pacific cargo-carrying capacity," Sea-Land chairman Robert L. Hintz said. "With our 12-day express service from Taiwan to Long Beach, we will be able to trim as much as seven days off current delivery schedules from a country that today is the number one Asian source of container exports to the United States, and one that serves as a cargo hub for the rapidly expanding Southeast Asia region."

Hays T. Watkins, chairman and CEO of Sea-Land's parent, CSX Corporation, said, "Our investment in these vessels and the start-up of this new service represents one of the first major steps we have taken together to grow our network," Watkins said, "and we expect another joint venture begun late last fall—the CSX/Sea-Land Intermodal Unit and logistics management group—to be the cornerstone of our transportation network in North America."

1987 Earnings. CSX reported 1987 earnings of $432 million, $2.78 per share, before the cumulative effect of a change in accounting resulting from the company's adoption of Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes." Fourth-quarter results on the basis of the new accounting rules were $129 million, 82 cents per share.

The 1987 results compare with last year's $418 million, $2.73 a share. For the fourth quarter, revenue was $2.1 billion compared with $2.0 billion in 1986. Expense for the year was $7.1 billion, up $745 million, 12 percent, from 1986. For the quarter, expense was $1.9 billion compared with $1.8 billion last year.

The year and fourth-quarter operating income reflects strengthened transportation operations due to increased traffic on the company's rail and container-shipping units, CSX stated.

Rail merchandise traffic increased six percent for the year and seven percent for the fourth quarter. Rail coal originations, at 173 million tons for the year and 46 million tons for the fourth quarter, increased three percent and 10 percent during the respective periods. Container-shipping loads increased five percent and seven percent for the same periods.

Third New Alaska Ship in Service

Christening ceremonies were held in Kodiak, Alaska, on December 15 for the *MV Sea-Land Kodiak*, the last of three diesel-powered containerships commissioned by Sea-Land Service for the Alaska/Pacific Northwest trade.

The *Kodiak* was christened by Carolyn C. Baker, wife of Sea-Land president and CEO Jackson A. Baker. Baker was manager of the Anchorage terminal in 1965 and 1966. Subsequently, he held a number of key positions both in the company's Alaska and Pacific divisions, capping out his 19-year tenure in the Pacific Northwest as executive vice president of the Alaska division.

The three D-7 class vessels carry 706 containers, including 20-, 35- and 40-ft. equipment. Their 20-knot, diesel-powered engines provide an all-in transit savings of 15 percent, Sea-Land stated.

"With the arrival of the *Kodiak*, we have put the final link of our transportation network here in place—to bring to Alaska goods from the "Lower 48" and to carry Alaska's exports not only to the "Lower 48," but to Asia, Europe and the Caribbean and Central America," Baker said. "This network brings to Alaska the opportunity through international trade to take some significant strides toward economic recovery."

Noting the *Kodiak* is reported to be the last large commercial oceangoing cargo vessel built in a U.S. shipyard with no further large commercial orders outstanding on the books, Baker called attention to a report issued in October to the President by the Commission on Merchant Marine and Defense on the seriously diminishing ability of the U.S. maritime industry to perform a defense role.

The report calls for a major effort on the part of the maritime industry and government to revise national objectives, policies and commitments in order to reverse the decline of this country's maritime industrial base.

"It is time," Baker said," for those few of us left in the private sector, and for those in the military, to work together as never before for a better, more efficient ocean transportation system in peacetime and to vastly improve our capability for military sealift support should world events bring us to that necessity."

The *Kodiak* and her two sister ships—the *MV Sea-Land Anchorage* and the *MV Sea-Land Tacoma*—were built at Bay Shipbuilding Corporation, Sturgeon Bay, Wisconsin. ■

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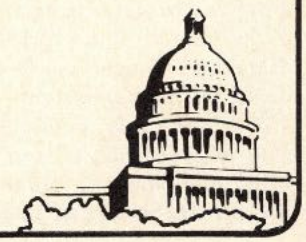
Washington Briefs



FMC General Counsel Gets Merit Rating

The Federal Maritime Commission's general counsel, Robert D. Bourgoin, has received the rank of Meritorious Executive from President Reagan. The award, which carries a stipend of $10,000, may be conferred upon no more than five percent of the career senior executives government-wide and recognizes exemplary performance over a number of years, the FMC said.

Panam Discussion Agreement Filed

A cooperative working agreement to be known as the "Panam Discussion Agreement" has been filed with the Federal Maritime Commission. The agreement, among members of the U.S. Atlantic and Gulf/Central America Freight Association and the independent carriers, Lykes Bros. Steamship Company, Transnave, Inc. and Ecuadorian Line, covers the trade between the U.S. Atlantic, Gulf and West Coasts and ports in Panama.

Hong Kong Island Lines/Gearbulk Pact

A space charter and sailing agreement between Hong Kong Island Lines and Gearbulk, Ltd. has been filed with the FMC. Reefer containers are excluded from the charter arrangement, while high-cube boxes will be accepted subject to vessel stowage restrictions.

Under terms of the agreement, Gearbulk may make space in its vessels available to Hong Kong Island Lines. All containers will be provided by Hong Kong or the shipper. The agreement does not create a joint service. Nor does it permit the parties to discuss or set rates. The agreement carries a minimum term of one year, but either party may end the agreement upon three months' written notice to the other party.

The agreement was signed by Gearbulk Container Services president Jan G. Pettersen and Hong Kong Island Lines executive director William D.Y. Chow.

Court Decision Due On 50-Mile Rule

The U.S. Court of Appeals in Washington will soon issue a decision regarding a Federal Maritime Commission finding that the International Longshoremen's Association's 50-mile container work rules are illegal under the nation's shipping laws. Oral argument on the FMC decision outlawing the rules was held in mid-December before the Appeals Court in Washington.

Reports on Port Financing, Domestic Cargo

The Maritime Administration recently announced the availability of two reports, namely, "Domestic Waterborne Trade of the United States 1985" and "A Standard Requirements Model and Conceptual Design for a Port Financial Management Information System."

The port study, conducted under a cost-sharing arrangement between MarAd and the American Association of Port Authorities, may be obtained from the National Technical Information Service at a cost of $25.95.

FMC To Hold Field Hearings

The Federal Maritime Commission will hold field hearings in San Francisco and Houston in January and February, respectively, regarding rates, charges and services provided at U.S. marine terminals.

FMC officials will also make visits to New Orleans, Charleston, South Carolina, Savannah, Tampa, Portland, Oregon, Seattle, and Tacoma, Washington.

The investigation into marine terminal practices and agreements is being headed up by FMC commissioner Thomas Moakley.

Bentley Uncovers Another Violation

Rep. Helen Delich Bentley (R-MD) has uncovered yet another violation of the nation's cargo preference laws.

At her instigation, the Navy has prepared the necessary papers to recover almost $200,000 from the San Francisco-based Intercontinental Equipment Corporation, a container firm that allegedly violated U.S. cargo preference laws for failing to use U.S.-flag ships to transport military supplies.

Commenting on the situation, Mrs. Bentley said: "This is an example of how our military is being cheated by companies that operate out of a one-room office with no real assets for the government to attach should the company go out of business or should there be a financial claim against it. I am delighted the Navy has taken a strong stand against this company, and I hope it will serve as an example to deter future attempts to ... cheat U.S. merchant fleet operators out of business that they really deserve."

Comment Time on WRTU Petition Extended

The Federal Maritime Commission has lengthened the time for public comments concerning a petition filed by the Waterfront Rail Truckers Union which is seeking a truck detention rule at West Coast ports.

The WRTU has asked for an appointment system similar to the system used at the Port of New York/New Jersey.

The union claimed an appointment system is needed at the West Coast ports of Los Angeles, Long Beach, San Francisco, Oakland and San Diego to correct "horrendous working conditions" caused by long lines, "free labor and unjust enrichment upon each port terminal operator and importer and exporter." The situation on the West Coast is also producing "confusion and hazardous working conditions," the union told the FMC.

The new comment filing deadline is February 22. The original deadline was January 22.

AAPA Seminar in Miami March 16-18

A "strategic planning seminar" aimed exclusively at port planning for U.S. port authorities will take place in Miami March 16-18.

The two-day event is being sponsored by the American Association of Port Authorities.

The registration fee is $255 for AAPA members and $295 for non-members. For additional information contact AAPA at 1010 Duke Street, Alexandria, Virginia 22314, or call AAPA at (703) 684-5700.

Lykes Selling Feeder Vessel to Taiwan Firm

Lykes Bros. Steamship Company has asked the Maritime Administration for approval to sell and transfer a 14,868 deadweight ton cargo vessel named the *Lyra* to Taiwan Feeder Services, Ltd., in Taipei, Taiwan.

The buyer plans to use the vessel to ferry trucks and containers between Kaohsiung and Keelung. The vessel was built in Germany in 1977, MarAd said.

Container Surcharge Cases Consolidated

Federal Maritime Commission administrative law judge Norman D. Kline has consolidated two cases involving surcharges imposed by the 8900 Lines.

The charges amount to $400 per container on export cargo out of Boston, and $300 per box on export cargo moving out of Philadelphia.

Both Philadelphia (through the Delaware River Port Authority) and Boston (through the Massachusetts Port Authority) contend that the surcharges will divert cargo away from their ports. They also argue that the charges violate the 1984 Shipping Act.

The surcharges were imposed by the 8900 Lines October 1.

Eximbank Bailout Under The Gun

Senate Banking Committee chairman William Proxmire (D-WI) has asked the U.S. Comptroller General, Charles Bowsher, for a cost-benefit analysis of the loan program administered by the U.S. Export-Import Bank.

Proxmire's request to the General Accounting Office followed a recent government report indicating that Eximbank losses have put the agency in a deficit position of between $1.9 billion and $3 billion.

"Eximbank's deteriorating capital position is attributable to the Bank's policy of subsidizing exports below the cost of its own funds, and also losses incurred on some loans it has made,' Proxmire said. "The Federal Treasury, due to its own massive budget deficits, is hardly in a position to finance a $3 billion bailout of Eximbank."

Proxmire asked GAO to have the report ready by January 31.

New Figures Put Fleet At 555 Vessels

The latest figures released by the Maritime Administration put the U.S. merchant marine at 555 vessels with a carrying capacity of about 23 million deadweight tons.

The breakdown of the total fleet was listed as 453 oceangoing ships and 102 Great Lakes vessels.

Covering up to June 1, 1987, the figures showed a 32-vessel drop in the oceangoing fleet, compared to statistics covering up to June 1, 1986. The fleet's capacity dropped by 491,274 deadweight tons, MarAd said.

Carrier Briefs

Western Europe and UK:

Dart Containerline has appointed Karl Geuther GmbH & Company as general line agent in Germany and Austria.

Lykes Lines appointed Cie Charles Le Borgne as its agent for all of France, Greg L. Stangel, Lykes' vice president-Continent/United Kingom, announced. Established in 1735, Compagnie Charles Le Borgne has head offices at 15, rue de Pontoise, 78100 Saint Germain En Laye, telephone 34 51 52 53, telex 689034 CLBPA F, telefax 34 51 99 99. Lykes offers weekly full container ship service between Northern Europe and the United Kingdom destinations via the ports of Rotterdam, Bremerhaven and Felixstowe and the U.S. ports of Galveston, New Orleans and Norfolk, featuring a 13-day transit time with intermodal service throughout Europe including France, the Scandinavian range, Ireland, Spain, Portugal, Italy and the west coast of Africa. Additionally, Lykes offers express overland transport between the U.S. Gulf and the Pacific Coast.

The Gothenburg-Frederikshavn rail-ferry connection was inaugurated on December 7 and 8 at Gothenburg and Frederikshavn, respectively. The link is the shortest rail-ferry connection between Scandinavia and Continental Europe. The distance, 50 nautical miles, is covered in four hours by the *M/S Stena Scanrail*, a 1973-built Ro/Ro ferry with a flexible railroad wagon-lorry-trailer configuration.

Dart Containerline announced its ocean rates will be expressed as commodity box rates, with different rating levels for 20- and 40-ft. containers where this is appropriate. These have been calculated from a conversion of the present weight or measurement rates charged by Dart while still a member of NEAC. The conversion is achieved by multiplying the weight or measurement rates by a stowage factor which generally applies to a given commodity or shipper's product. It took a team of Dart pricing experts several weeks of research to develop what is termed the Stated Utilization Factor (SUF) and to construct each individual commodity box rate. As an alternative to service contracts, Dart is studying the practicality of introducing "loyalty contracts" which under particular circumstances may afford shippers the opportunity to contract a percentage rather than a fixed cargo volume.

Pacific:

The Transpacific Westbound Rate Agreement has increased from 24% to 28% its currency adjustment factor on shipments from North America to Japan and has renewed its 7% CAF on freight moving to Taiwan.

Transpacific Westbound Rate Agreement (TWRA) said it will go ahead with implementation of a destination terminal crane charge on containerized cargo moving from North America to Bangkok. Previously scheduled for January 15, the special charge will become effective February 1. Agreement managing director Ronald B. Gottshall said the charge will amount to $70 per 20-ft. container and $120 for all other sizes of equipment, for shipments delivered from container yards at Bangkok. Cargo delivered at container freight stations will be charged $3.25 per measured ton or $4 per weight ton, in addition to other applicable charges. In the December issue, the terminal crane charge was stated to be $170 per 20-ft. container. The correct charge is $70 per 20-ft. container.

Mediterranean & Middle East:

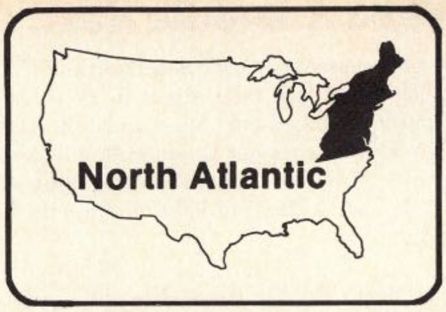
A new space charter agreement between Sea-Land and United Arab Shipping Company will take effect in February. Under the space charter arrangement, Sea-Land will have guaranteed use of 125 TEU spaces per vessel sailing in each direction aboard UASC vessels for cargoes moving between the U.S. and the Middle East, India, and Pakistan directly, or via Mediterranean ports.

The Mediterranean-North Pacific Coast Freight Conference (eastbound) has boosted from 11% to 13% its currency adjustment factor. Exempted from the CAF are origin terminal handling and container service charges, which are subject to the "usual" freight-forwarder commissions.

Caribbean & South America:

Naviera Pacifico has purchased the 23,460-DWT Venezuelan-flag ship *Rio Chama* for its service in the North American West Coast-Latin America/Caribbean trade.

Frota Amazonica has appointed Strachan Shipping in Louisiana and Hoegh Lines Agencies as sales agents in the Midwest. Southwest and on the West Coast. Both companies will handle sales, traffic, operations, equipment control and documentation for Frota's container/breakbulk service between the United States, the Caribbean and South America, from their respective regions. Strachan has appointed Ron Brunet as Frota's line manager. He is based in New Orleans and can be reached at (504) 827-8740. Al Stafanick, regional manager, Hoegh Lines Agencies in Chicago, will handle line management duties for Frota in the Midwest, Southwest and the West Coast.



FUEL FOR GORBACHEV'S PLANE. As the nuclear arms treaty was signed on December 8 by President Reagan and Mikhail Gorbachev, the pressure seemed to have lessened for everyone. Everyone, that is, except Matlack, Inc. Bob Spotswood, Matlack's terminal manager in Fairfax, Virginia, received an emergency call on December 6 from Page Avjet, a supplier of fuel for private aircraft based at Dulles International Airport, stating that fuel for Soviet General Secretary Gorbachev's return flight to Russia was needed immediately. Page Avjet had arranged to purchase 130,000 gallons of fuel for the return journey and Matlack was called to transport it from the refinery to Andrews Air Force Base in Maryland. Spotswood said that while the transfer may sound simple, "It seemed like every government agency was involved. From the FBI to the CIA to the Secret Service and even the KGB, no stone was left unturned. Every piece of Matlack equipment was inspected closely." The shipment was broken down over a three-day period. On Sunday, 78,000 gallons of fuel were transported. No deliveries could be made on Monday, as the Russians landed at Andrews and only government personnel had clearance. The remaining 56,000 gallons were transported on Tuesday, December 8.

LARGE VOLUME SHIPPERS. Maryland Port Administration named Anthony R. Barber, a 20-year maritime veteran, as director of shipper sales. He will be responsible for developing and servicing the accounts of the Port of Baltimore's largest volume shippers. Barber served since 1972 as regional manager of the MPA's New York sales and marketing office. He assisted in establishing Maryland Port Administration's Hong Kong office through personnel recruitment and site location. From 1969-1972, Barber was employed with Sea-Land Service, Inc. as a sales representative and sales manager with responsibililty for developing and servicing the firm's Mediterranean trade.

Barber

HAMPTON ROADS ASSOCIATION. Gerald L. Parks, president of Capes Shipping Agencies, Inc., was elected president of the Hampton Roads Maritime Association. Other officers elected are: George C. Garris, Jr., president of Old Dominion Stevedoring Corp., vice president; Frank O'Keeffe, port coordinator of Cargill, Inc., vice president; Braden Vandeventer, Jr., Vandeventer, Black, Meredith & Martin, vice president; Jack W. Mace, executive vice president of HRMA, secretary; Robert A. Heely, vice president, international division, Signet Bank, treasurer; David E. Moore, assistant vice president-international, Sovran Bank, assistant treasurer; and G. Robert Cowan, port coordinator for Continental Grain Company, chairman of the board. Directors elected for 1988-89 include: Robert E. Benze; William J. Burke; R.L. Counselman, Jr.; W.A. Eckhardt; Charles H. Eure, Jr.; T. Parker Host; Arthur J. Kenney; Arthur W. Moye, Jr.; Meade G. Stone, Jr.; and Rolf Williams.

RICHMOND TERMINAL UP 59%. Year-to-date tonnage reported passing through the Port of Richmond Terminal was up up 59 percent over the same period in fiscal year ending June 1987. Container traffic increased 21 percent over the same five months of the previous year. Shipments in November reached 47,983 tons, an increase of 199 percent over November 1986 and 26 percent over October 1987. The total was buoyed by 20,361 tons of containerized cargo, 12,111 tons of lumber and 10,788 tons of scrap metal.

PASSENGER VESSEL OWNERS. The 16th annual convention of the National Association of Passenger Vessel Owners (NAPVO) was held in Washington, DC, January 10-15. Keynote speaker was Rear Admiral Clyde T. Lusk, Chief of Staff, U.S. Coast Guard. He discussed the role of the small passenger vessel in the maritime industry. Rep. Walter Jones, chairman of the Merchant Marine and Fisheries Committee, was luncheon speaker on January 13. NAPVO is an independent trade association for the owners/operators of dinner cruises, sightseeing/excursion boats, car ferries, paddle wheelers and windjammers.

UPSTATE NEW YORK. David W. Greer has been named sales representative for World Shipping, Inc. in upstate New York. Greer has over 20 years of transportation experience. He will represent World Shipping's six major principals, Nedlloyd, Ivaran, EAC Lines Transpacific Service, Johnson ScanStar, Linea Marlago, and Bermuda Container. World Shipping maintains headquarters in Cleveland and offices in Cincinnati, Detroit, Chicago, St. Louis, and Pittsburgh.

SCANFREIGHT SALES AGENT. Scanfreight, Inc. announced appointment of Monaghan Maritime Associates, Inc. as its sales agent in New Jersey. Scanfreight offers regular services between U.S. Atlantic, Gulf and West Coast ports and ports in Scandinavia, United Kingdom, North Europe, the Mediterranean, South Africa and Far East ports, including the People's Republic of China.

MORAN TOWING SALES OFFICE. The sales office of Moran Towing & Transportation Company and Curtis Bay Towing have been relocated from Suite 8349 to Suite 2247 in One World Trade Center, New York City. Telephone numbers will remain the same.

AWARD FOR LEADERSHIP. Robert E. Hart, president of Marine Index Bureau, received the annual award for leadership from the Port of New York Chapter of the U.S. Merchant Marine Academy Alumni Association. Secretary of the Navy, James H. Webb, Jr., delivered the address at the luncheon and presentation of the award. Peter Clark, president of the Alumni Association, said, "Captain Hart was chosen to be this year's award recipient in honor of his years of hard work and leadership in bringing together the many sectors of our marine industry. He has been a strong supporter and friend of the U.S. Merchant Marine Academy throughout his career."

Hart

MARINE INDEX CHAIRMAN. Bruno J. Augenti, chairman of the Marine Index Bureau, has retired and two new members have been appointed to the advisory board. They are: Donald G. Brown, vice president, Falcon Shipping Group, Houston; and Captain William G. Duncan, senior marine advisor, Exxon Shipping Company, Houston.

CRUISES FROM NEW YORK. The Port Authority of New York and New Jersey has published an "Advanced Schedules" guide for 1988 *Cruises From New York* for travel agents who are planning for the upcoming cruise season. A copy of the guide may be obtained, at no charge, from Cruise 1988, Port Authority of New York and New Jersey, Port Department, Room 64E, One World Trade Center, New York, NY 10048.

VIT EXPANDS SERVICES. Virginia International Terminals, Inc. has signed a contract with Interpool, a chassis/container leasing company which is providing containers and chassis to steamship lines at each of its marine terminals. Interpool has already stocked each of the terminals with equipment and will sign contracts or agreements with ship lines interested in leasing. Also, the ports have completed two new fumigation cells, providing the capability of fumigating 36 containers at one time.

INLAND TERMINAL MANAGER. Paul Burkholder has been named manager for the Virginia Port Authority's newly-created Virginia Inland Port in Front Royal, Virginia. Burkholder previously served as track supervisor with Norfolk Southern Corporation in Charlottesville. VIP is an intermodal container transfer facility with targeted completion date of fall of 1988..

MERRILL'S TERMINAL. Merrill's Marine Terminal has promoted Michael T. Kane, Jr. (left) to vice president of marketing and Armand J. Demers to senior vice president. Kane had been marketing manager for Merrill since 1985. He was formerly director of intermodal services for Guilford Transportation Industries. Demers was previously general manager of the terminal. Before working for Merrill, he served as traffic manager for the Joseph Kirschner Company, Inc.

DUBAI FREE TRADE ZONE. Members of a trade delegation from Dubai recently spent two weeks in the United States seeking to generate American business in the Dubai Free Trade Zone. National Shipping Company of Saudi Arabia hosted the delegation at a reception just prior to their departure to return to Dubai. Some of the attendees at the reception included: Abdul Rahman G. Al Mutaiwee, Director General of the Dubai Chamber of Commerce and Industry; Edward A. Butler, III, director of marketing for the Port Authority of Jebel Ali; Saif Sultan Al Shamsi, project administrator of PAJA; Don Rupert, line manager for NSCSA; Sultan Bin Sulayem, chairman of the Jebel Ali Free Zone Authority; Hussain M. Sultan, managing director of Emirates Petroleum Products Company and Emirates Gas; Charles S. Heath, North American director of PAJA; James J. Scott, Jr., executive director of PAJA; Thomas J. Ammerman, regional marketing manager, NSCSA; Ben Massa, marketing manager, NSCSA; and William R. Duff, financial advisor to the Government of Dubai.

BERMUDA AGENCIES MOVES. Frans Rowaan, president of Bermuda Agencies, Ltd., announced that the New York headquarters office has moved to Suite 2408, One Gateway Center, Newark, New Jersey 07102, telephone (201) 242-6890, telex (WUI) 556-429, telefax (201) 352-8461. The agency will maintain a New York City drop center for customers, in care of Export Messenger Service, located in Suite Basement 2, Room 232, Two World Trade Center, New York, N.Y. 10048, telephone (212) 432-0880.

HONOR KREYLING, SCHMIDT. The Hampton Roads Foreign Commerce Club awarded its Commerce Builder Award to Edward G. Kreyling, Jr., former vice president of marketing services for Norfolk Southern Corporation. Kreyling began his career with the St. Louis-San Francisco Railway Company and progressed through the Illinois Central and Penn Central to the Southern Railway System. The Richmond Export-Import Club awarded the Rudy Rudershausen Award, formerly the "Trader of the Year," to Hendrik Schmidt, vice president of the international division of Central Fidelity Bank. Schmidt came to the U.S. from the Netherlands in 1957, taking a management trainee position with the Bank of New York's international department. In 1971, he moved to the Horizon Bank in Morristown, New Jersey, and then to Central Fidelity in 1978.

'MILLION UNITS' CLUB. Consolidated Rail Corporation's Premium Intermodal Service Network transported the one millionth highway trailer or containerload of 1987 in December. This represents the largest number of intermodal units ever moved by a U.S. railroad in a single year and marks the first time any railroad has reached the million-unit level in a single year. Conrail's millionth intermodal shipment was a truckload of consumer products being shipped from the Harrisburg, Pennsylvania, area to California for Warner-Lambert Company by CF Truckload Service.

RYDER INTERNATIONAL. The Norfolk office of Ryder International Freight & Customs Services, Inc. has relocated to 4855 Brookside Court in the Norfolk Industrial Park. One of 16 Ryder International offices in the United States, the Norfolk office opened in 1981 and provides ocean and air freight forwarding, customs brokerage, marine insurance, distribution and warehousing.

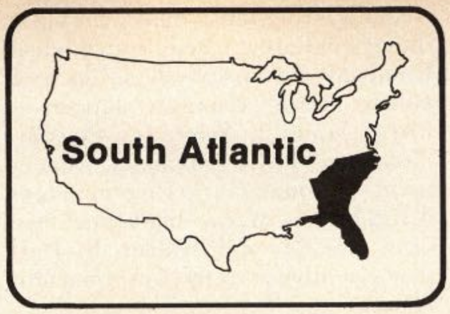
TELEX SERVICES TO SHIPS. INMARSAT has approved the trial use of limited-capability earth stations (L-CES) for providing telex services to ships. The new earth stations will be adapted versions of INMARSAT Standard-A ship earth stations. They will have antennas of less than a meter in diameter and cost less than $50,000. They will be able to handle only a single telex communications channel at a time.

B+H BULK DIVIDEND. B+H Bulk Carriers Ltd. declared a dividend of 15 cents a share on the company common stock, payable January 20, to shareholders of record on December 31, 1987. B+H was formed in May of 1987 to own and operate bulkcarrier vessels. Following its initial public offering of common stock in September 1987, which raised close to $18 million, the company has purchased or contracted for eight bulkcarriers.

INT'L JOINT VENTURES. The World Trade Institute will sponsor a seminar on International Joint Ventures: Business Alternatives and Legal Considerations May 4-5 in Washington, D.C. Fee for the seminar is $425 for the first registrant and $380 for each additional registrant from the same company. For further information, contact the Registrar, World Trade Institute, One World Trade Center, 55th Floor, New York, NY 10048, (212) 466-4044.

NAUTICAL YEAR BOOK. Lloyd's of London Press, Ltd. has published the 1988 edition of its *Nautical Year Book* edited by Harry Arnold. This new edition includes four sections: The Shipping Industry (including a global overview of the year); Lloyd's and Insurance; Legal and International Regulations; and General Information. For information, contact Nedda Bradbury, Press Officer, Lloyd's of London Press, Ltd., Sheepen Place, Colchester, Essex C03 3LP England.

THREE TYPES OF INSURANCE. The College of Insurance in New York will offer a one-day program on ocean marine insurance March 23 at One Insurance Plaza, 101 Murray Street, New York. The seminar will focus on the three types of ocean marine insurance: cargo, hull, and protection and indemnity. It is designed for underwriters, brokers, claims examiners and personnel involved in recovery. Speakers at the seminar include Donald M. Kennedy, Kennedy & Lillis; Martha Stevens, vice president with Frank B. Hall; Don Shay of Mitsubishi; John Webber of Home Insurance; and Robert Lagattolla, president of Water Quality Insurance Syndicate. Fee is $195 for sponsors of the College and $245 for non-sponsors. Call (212) 962-4111, extension 301.



COUNCIL ELECTS DEMARIANO. Paul D. deMariano, Jacksonville Port Authority managing director, was elected president of the Florida Ports Council to represent the interests of Florida's 11 deepwater ports. DeMariano has been managing director of the JPA since July 1984 and served as port director at Port Everglades from 1973 to 1978. He also served as vice president for port development with Eastern Seaboard Petroleum Company, Inc. and as president of Standard Gypsum Corporation and Bulk Stevedores, Inc.

FLORIDA/JAPAN CONFERENCE. A Florida/Japan Two-Way Trade Conference is scheduled for February 18-20 at the Hyatt Regency Hotel-Tampa. The conference will begin with a reception on Thursday evening, February 18. An all-day session on Friday, February 19, will include programs entitled "Partners in Success" and "Florida/Japan: Future Trade Opportunities." A golf tournament and tours of Central Florida are scheduled for Saturday. Speakers at the conference will include: Clayton K. Yeutter, U.S. Special Trade Representative; Takeo Hata, general manager of International Minerals & Chemicals; Yukimasa Kitagawa, president of Japan External Trade Organization; Nobuo Matsunaga, Ambassador of Japan; Sam Gibbons, U.S. Representative from Florida; Joel R. Wells, chairman of Sun Bank; Kenneth Hyatt, executive vice president of Jim Walter Corporation; and Geoffrey Boyes, Far East marketing director of Critikon, Inc.

RESUMPTION OF EGG EXPORTS. When the *M/V Hanseatic Reefer* departed the Port of Tampa in late October, it marked the first time in six years that eggs were exported from Tampa. More than 500,000 cases will move through Tampa through February. In 1981, the U.S. was squeezed out of the international marketplace due to the high value of the U.S. dollar and increased subsidies provided by world producers. Hendryk Weeks, retiring Tampa Port Authority trade development director, attributes the resumption of egg exports to the Federal Government Export Enhancement Program. Egg and poultry shippers include U.S. Egg Marketers, Inc. and Gold Kist, both of Atlanta; and CPC North America of Minneapolis. The eggs and poultry travel 14 days across the Atlantic and the Mediterranean to Mersin, Turkey, where the cargo is then transported by refrigerated truck to Baghdad, Iraq.

52 REEFER RECEPTACLES. The Tampa Port Authority recently completed the installation of 52 reefer receptacles for refrigeration at Berth 202. The receptacles were designed and installed by Tampa Electric Company and provide electrical service for refrigerated containers or chassis or refrigerated trailers. The receptacles give Tampa the capability to handle temperature-controlled commodities from Central America, such as watermelons, cantaloupes, honeydew melons, snow peas, cucumbers and broccoli during the winter months. Central America has a longer growing season than the U.S.

STRATEGIC PLANNING. The American Association of Port Authorities will hold its first strategic planning seminar designed exclusively for port authorities on March 16-18 in Miami, Florida. The program will feature over 30 speakers who will appear on 10 panels, including: "The Macro Environment," "Technology Trends," "The Ports' Experience with Planning," "The Planning Process," "Marketing" and "Planning for the 21st Century." Registration is $255 each for AAPA members and $295 for all others. For more information, contact AAPA, 1010 Duke Street, Alexandria, Virginia 22314, (703) 684-5700.

CARGO GROUP, LTD. Cargo Group, Ltd., a container freight station and customs bonded warehouse, began operations at its new facility located on Aviation Boulevard between Savannah International Airport and Georgia Ports Authority in Savannah. The 22,500-sq.-ft. facility was constructed by Bruce Green Construction Company. Services include stripping and stuffing of containers, short- and long-term cargo storage, consolidation and distribution of cargo and moving cargo through U.S. Customs. Orson W. Swofford is president of Cargo Group, Ltd. He headed the special projects section of D.J. Powers prior to being named to head the new company.

BOUND FOR GRAND CAYMAN AND COSTA RICA. Thompson Shipping's new 262-foot-long *North Empress*, on its first U.S. port-of-call, sailed away from Port Manatee fully laden with building materials, steel, machinery and cut clothing. The vessel was bound for the Grand Cayman Islands and Costa Rica. The *North Empress* offers direct liner service from Port Manatee every other Tuesday to Georgetown, Cayman Island, and to Puerto Limon, Costa Rica. The vessel is Ro/Ro equipped with two 35-metric-ton cranes and holds up to 220 TEUs. The vessel is registered in the Cayman Islands. It has 1,747 gross rated tons and is nearly 53 feet wide.

TAMPA AUTHORITY CHAIRMAN. Dennis M. Ross, vice president of public affairs for Jim Walter Corporation, has been elected chairman of the Tampa Port Authority board of commissioners. He succeeds Robert L. Cromwell, vice president for public affairs for General Telephone Company of Florida. Other officers elected for the new term include: James M. Burnett, a Brandon real estate broker, vice chairman; Joseph Garcia, a Tampa attorney, secretary-treasurer; and Fred M. Hirons, III, treasurer of Parker Banana Company, assistant secretary-treasurer.

SOFTWARE VENDOR. American Software, Inc. of Atlanta has been named an IBM Industry Marketing Assistance Program vendor for the Distribution and Utilities Industries. The Marketing Assistance Program allows participating firms to jointly market software applications with IBM. American Software develops, markets and supports materials management and financial control software.

FOUR CORNERS AWARD. John R. Braden, director of marketing and public relations for Hartsfield Atlanta International Airport, was named the third recipient of the Four Corners of the World Award sponsored by the Atlanta Airline Sales and Marketing Association.

ATLANTA FED DIRECTOR. Gary J. Chouest has been elected to the board of directors of the Atlanta Federal Reserve Bank. Chouest is founder of North American Shipbuilding, which builds supply boats and specialized vessels. He is also president and chief executive officer of Edison Chouest Offshore, Inc., in Galliano, Louisiana. Chouest attended Nicholls State University. The Atlanta Federal Reserve's region, the Sixth Federal Reserve District, covers the states of Alabama, Georgia, Florida, and parts of Louisiana, Mississippi and Tennessee.

INTERNATIONAL SALT. An 11,000-metric-ton shipment of salt from Europe inaugurated processing activity at International Salt Company's new dockside plant in the Port of Georgetown. The salt was discharged using equipment that is part of a $2.8 million salt importing, processing and storage complex built by ISCO in 1987. According to Claude Baker, port director for the South Carolina State Ports Authority at Georgetown, the shipment of salt was the largest ever discharged at the port. The cargo was discharged over a period of 72 hours.

MANATEE TRADE REP. Armando Jacomino has been named trade representative for Port Manatee. He will be based in Miami and will solicit new trading opportunities for the port throughout the Caribbean, South and Central America. Jacomino is a graduate of Florida International University and serves as marketing director for Thompson Shipping Company, Ltd.

MSC CONTRACT TO BERMUDA. Sea-Barge Group, Inc., with headquarters in Miami, won a $4.7 million contract from the Navy's Military Sealift Command to carry U.S. military-sponsored cargo between the U.S. East Coast and Bermuda.

TWO MORE FT. FOR SAVANNAH. The U.S. Army Corps of Engineers has approved a harbor deepening project that would give Savannah's 45-mile harbor an additional two feet of water at mean low water (MLW). The plan will deepen the Bar Channel to 42 feet and the inner harbor channels to 40 feet, at a cost of $14,095,000. Chatham County will be required to pay 37.5% of the project's total cost, or $5.2 million.

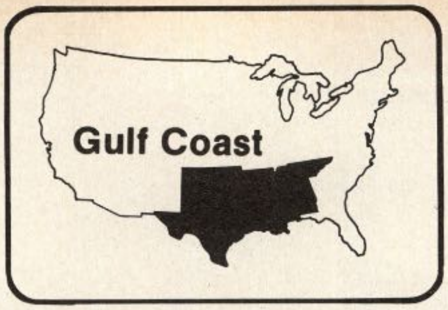
ROGERS & BROWN. Rogers & Brown Custom Brokers, Inc., headquartered in Charleston, has opened its eighth office in Norfolk, Virginia. The new office will be located at the World Trade Center and will be managed by David Rish, who previously managed the company's Columbia, S.C. division.

CANAVERAL FTZ POSITION. The Port Canaveral board of directors approved the creation of a new staff position related to the port's new Foreign Trade Zone No. 136. Port spokesman Chuck Agostinelli said the position "will be responsible for the continued development of our foreign trade zone and also the management of our tenant relationships."

CHATTANOOGA CLUB ELECTION. The Chattanooga Transportation Club elected new officers at its December meeting. They are: Cecil Cooke, RCA Truck Lines, president; Sybil Woebbeking, Chattanooga Tufters, president-elect; Becky Gregory, Norfolk Southern Railroad, vice president; Phyllis Maynor, Standard-Coosa-Thatcher, secretary; and Paula Hayes, Churchill Truck Line, treasurer. New directors are: Bob Hellerstedt, Larry Byrd, Dorothy Moore, Debbie Williams, Linda Vanzant, Phyllis Parks, Denise Teeters and Sonny Sample.

BIRMINGHAM TRAFFIC CLUB. In conjunction with the annual election and dinner on February 9, the Birmingham Traffic and Transportation Club will sponsor its 37th Annual Industrial Traffic Day. This is an opportunity for traffic managers of industrial companies to set up offices in the Birmingham Hilton and receive representatives of barge, motor carrier and rail companies from the nation. Immediately following this event, on February 10-11, is the Southeast Association of Rail Shippers, with Darius Gaskins, president and CEO of Burlington Northern Railroad, featured speaker.

PANAMA CITY BIDS. Bids have been let for a new building to serve Panama City Port Authority and shipping agencies. The building will be 10,400 square feet and cost about $700,000.



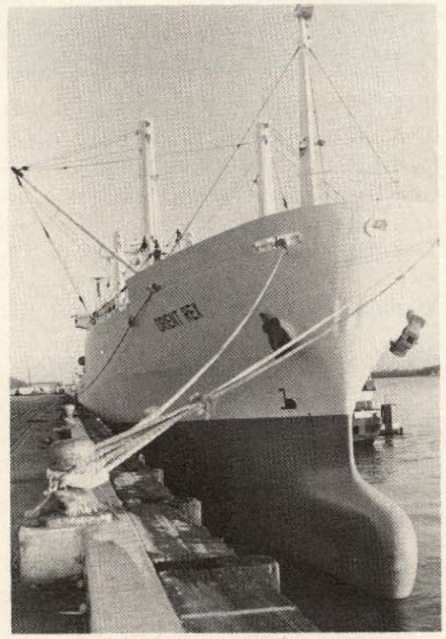
WORLD TRADE CENTER. The board of directors of the New Orleans World Trade Center elected Clifford J. Smith, chairman, Gulf Associated Freight Conference, to serve as president for the 1988 term. Smith has over 30 years' experience in the shipping industry. He is also Honorary Consul of Denmark for Louisiana and Mississippi. Other officers are: Thomas B. Coleman, International-Matex Tank Terminals, president-elect; Michael F. Little, Little & Metzger, Attorneys, vice president; Frank H. Walk, Sr., Chairman of Walk-Haydel & Associates, Inc., vice president; Sidney C. Pulitzer, chairman of WEMCO, Inc., secretary; John T. Hutchens, Ernst & Whinney, treasurer; Eugene J. Schreiber, managing director; and Robert J. Carr, associate managing director.

Smith

MOBILE INCREASES 10%. General cargo or breakbulk tonnages handled by the Alabama State Docks facilities at the Port of Mobile registered a 10 percent increase for fiscal 1987, for a total of 1,912,000 tons. Forest products increased 26 percent to 410,726 tons. Other increases reflected by the facility were: iron and steel, 10 percent; woodpulp, 10 percent; paper and paper products, 30 percent.

HOUSTON UP SEVEN PERCENT. Port of Houston reported an increase in tonnage for the first 11 months of 1987 of seven percent. Other significant increases at the port are: crude petroleum, 25 percent; grain, 78 percent; industrial chemicals, 17 percent; and containerized cargo, 20 percent. James D. Pugh, executive director of the Port of Houston Authority, said, "An important sign of continued recovery in the industry is the renewed confidence many ports have in their own futures. Long-delayed expansion and improvement projects are being taken off the shelves and put back on the agenda." Voters recently approved the sale of $100 million in bonds to be used for improvements at the Port of Houston. Eighty percent of the funds will be used to expand the Port Authority's Barbours Cut Container Terminal, with the remainder of the funds to be used for improvement of the general cargo and bulk facilities.

DIRECTOR OF ACCOUNTING. The Port of Galveston has named F. James MacKie director of accounting, according to Doug Marchand, general manager/port director. MacKie will supervise financial and administrative functions at the port and will operate as budget officer and a member of the financial planning team. He was previously a general partner in a real estate development firm in Houston.



ANTILLES LLOYD CHARTER. The reefer vessel *Orient Rex*, operated by Del Monte and chartered by Antilles Lloyd, Ltd., called New Orleans in December to load a cargo for the World Food Program in Rome. Terminal and loading operations were handled by Trans Gulf Stevedores and Terminal Operators, Inc. The *Orient Rex* is normally engaged in the banana trade but is sometimes available for alternative reefer cargoes from Central America to New Orleans. Antilles Lloyd, Ltd. operates liner service between New Orleans and over 15 American and Caribbean ports.

TRUST FUND AGREEMENT. Transportation Business Specialists of St. Joseph, Missouri, a transportation auditing and brokerage firm, signed $10,000 trust fund agreement with the Boatmens National Bank of St. Louis which calls for a trust fund rather than a surety bond to ensure contracts with shippers and motor carriers. David L. Steward, chairman of Transportation Business Specialists, says that the trust fund could provide the relief transportation brokers need. "I'm hopeful this will alleviate the 'Catch-22' situation of shippers who were reluctant to do business with us without the surety bond, and the problem of finding an insurance company that offered the bond. I hope TBS' success will pave the way for other transportation brokers." The trust fund will provide payments to shippers should TBS fail to carry out the terms of its contract. Transportation Business Specialists specializes in liquid bulk movements but also offers pre-auditing, post auditing and consulting services.

SEASON ENDED. The 1987 international shipping season ended December 16 for the Port of Duluth-Superior with departure of the *Maria GL* with 16,720 metric tons of spring wheat bound for Algeria. The cargo was loaded at Superior's Peavey-Connors Point elevator by Empire Stevedoring Corporation. The final foreign ship of last year's season left Duluth-Superior December 18. The season opened April 18 with the arrival of the *Lauro*, a Panamanian-flag bulk carrier.

RAILROAD CLUB SCHOLARSHIP. The Barton K. Davis Memorial Scholarship has been awarded by the 20th Century Railroad Club to Derek HasBrouck, a student at Northwestern University's J.L. Kellogg Graduate School of Management. The scholarship carries a cash award of $2,500. HasBrouck received his bachelor's degree from Rensselaer Polytechnic Institute, where he was teaching assistant for a mass transit systems course. He has worked as a consultant for Theodore Barry & Associates; as transmission and distribution supervisor for Florida Power & Light Company; and as project engineer for Jones & Laughlin Steel Company.

ECONOMIC IMPACT. The Port of Duluth Superior generated 2,931 jobs and a total economic impact on the area of $160 million in 1986, according to an analysis released by the Seaway Port Authority of Duluth. The study, prepared by Klaers, Powers & Associates, found that general cargo had the highest per-ton impact at $67.87 and iron ore/-coal the lowest at $3.22. At 81 percent of the port's total tonnage, iron ore and coal shipments generated 56.5 percent of the total economic impact; grain at 12.1 percent of the tonnage creates 20.3 percent; and all other bulk cargoes another 13.8 percent. General cargoes provided 8.2 percent of the port's impact on the community economy.

THUNDER BAY COAL SHIPMENTS. As of the week ending December 5, 3,108,425 tons of coal had moved through the Port of Thunder Bay, Ontario, one million tons ahead of last year. The increase was due largely to the increased demand by Ontario Hydro which purchases its Canadian coal from B.C., Alberta and Saskatchewan. An increase in shipments of Western Canadian metallurgical coal through Thunder Bay also contributes to the final coal tonnage figures, exceeding 3,300,000 tons at the end of the 1987 navigation season.

HAZMAT '88. HazMat Central '88 will reveal new services and technologies at its conference and exhibition program to be held March 15-17 in the O'Hare Exposition Center in Rosemont, Illinois. For further information, contact Tower Conference Management Company, 800 Roosevelt Road, Building E, Suite 408, Glen Ellyn, Illinois 60137-5835, telephone (312) 469-3373, telex 350427, telefax (312) 469-7477.

EXPORT PROCEDURES ACADEMY. The 1988 spring export course offered by Export Procedures Academy will be held March 15-May 17 at the lower level auditorium of Midway Airlines, Inc., 5959 South Cicero Avenue, Midway Airport area, Chicago; March 16-May 18 at the Pelican Room, Air France Cargo Building, O'Hare International Airport, Chicago. Deadline for enrollment is March 8. For further information, call Michael Garcia at (312) 980-3961.

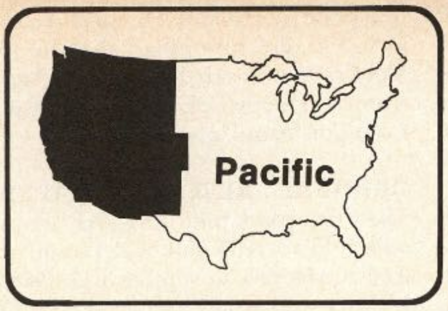
WATERWAY COMMUNICATIONS. John G. Smith has been named vice president of marketing and sales for Waterway Communications System, Inc., of Jeffersonville, Indiana. Waterway is responsible for the development and marketing of WATERCOM, a new direct-dial telephone service for the marine industry. Smith has more than 14 years of marketing and sales experience in marine electronics. He most recently served as director of marketing for ITT Mackay Marine. He holds a B.A. degree from St. Peter's College and an M.B.A. from Fordham University.

ORIGINAL RESEARCH PAPERS. The Transportation Research Forum will hold its 1988 National Forum and Annual Meeting November 9-11, 1988, at L'Hotel in Toronto, Ontario, Canada. Persons interested in submitting original research papers for presentation at this meeting and having their paper considered for publication in the 1988 edition of the *Journal of the Transportation Forum* are asked to transmit an "Intention to Submit" to 1988 Program Vice President, Transportation Research Forum, 1133 Fifteenth Street, N.W., No. 1000, Washington, DC 20005. Papers must be submitted on or before May 1. For further information, contact the Transportation Research Forum, at the above address.

MARK HEIMER. Matlack, Inc. has named Mark Heimer vice president of national accounts in its Midwest region. Prior to joining Matlack in 1982, Heimer worked as operations manager for Truck Transport in St. Louis, Missouri. He most recently served as regional sales director with Matlack for Missouri, Illinois, Iowa, Nebraska and Kansas. Heimer earned his B.A. in secondary education and history at the University of Missouri-St. Louis and is a member of the St. Louis Traffic Club.

NUCOR'S STEEL MINI MILL. The first movement as the new general cargo stevedore at Burns International Harbor was made during Thanksgiving by Pacific Great Lakes Transport. Nucor Steel's 3,000 net ton cold rolled mini mill was unloaded and stored at Burns International Harbor, where it will await completion of Nucor's facilities in Crawfordsville, Indiana. A total of 446 pieces, including four heavylift pieces weighing as much as 92 metric tons, departed aboard Eurolines' *M/V Olympic Leader* on November 4 from Bremen, Germany and docked at Burns November 25. It took four days to unload the 595-ft. vessel.

AUTOMOTIVE AFTERMARKET '88. Frost & Sullivan, Inc. of New York will host a conference June 27-28 at the Inn on the Park in Toronto, Canada. The conference will be chaired by Edward Kaufmann and is entitled "Automotive Aftermarket '88: The Globalization of the Aftermarket." For further information, contact Joan D'Alto, Frost & Sullivan, Inc., 106 Fulton Street, New York, NY 10038, telephone (212) 233-1080.



PORT LONGVIEW MANAGER. Port Longview commissioners have appointed Kenneth B. O'Hollaren as interim manager of Port Longview after the surprise resignation of Brian Fladager, general manager. The 32-year-old O'Hollaren has been employed at Port Longview since July 1980, most recently as manager of customer services and administration. He served as administrative assistant to previous manager Bob McNannay. Prior to his employment at Port Longview, he worked in Portland for Overseas Shipping Company and Evergreen Container Line. He is a 1977 graduate of the University of Oregon and earned an MBA from the University of Portland.

AUTOMOTIVE SERVICES, INC. The Port of Vancouver has signed a new lease with Automotive Services, Inc. (ASI) for 21.4 acres of port-owned property. ASI has been located at the port for the last 15 years and has served as the only Northwest import center for Volkswagen and Audi automobiles during that period. ASI currently imports approximately 10,000 cars across the docks at Vancouver, which is down from a maximum of 40,000 automobiles during the height of Volkswagen's popularity in the U.S. Automotive Services, Inc. has two import centers in Vancouver and Oakland, California, and its subsidiary trucking company that owns 27 specialized car carriers. In addition to Volkwagen, ASI handles Peugeot and Subaru models at its two sites.

TODD SHIPYARDS ADDRESS. The corporate office of Todd Shipyards Corporation has moved. The new address is 1102 S.W. Massachusetts, Seattle, Washington 98134-1030, telephone (206) 223-1560.

ALASKA REPRESENTATIVE. The Port of Seattle has appointed Terry Miller, former lieutenant governor of Alaska, to assist in promoting the port's business interests in the state of Alaska. Miller is a resident of North Pole, Alaska, and is currently employed as an independent business consultant. He will represent the port on a part-time basis. According to James D. Dwyer, executive director of the port, more than one million passengers travel between Seattle-Tacoma International Airport and Alaska each year.

PORTLAND CARGO REBOUNDED. The Port of Portland's marine cargo rebounded strongly in 1987 from its 1985 and 1986 levels. Container cargo is projected to exceed 138,000 TEUs, up more than 10 percent from 1986. Total tonnage, excluding grain, is predicted to be above 3,350,000 tons, improving by more than six percent over 1986. The record year is a result of changes in carrier service to the port, such as the addition of "K" Line's weekly double-stack container train service. The port also posted strong showings for 1987 in breakbulk lumber, logs, grain and dry bulks.

SEATTLE RECORD. According to Port of Seattle commissioner Patricia Davis, 1987 was one of the busiest years in the 76-year history of the port. Exports increased by 33 percent in the first ten months of the year over the same period of 1986. The port handled more container exports through October 1987 than during any previous full year. Container imports increased 18 percent during the first ten months of 1987. Double-stack train service connecting Seattle with Midwest and East Coast markets was launched by Hanjin, "K" Line, NYK Line, Mitsui-O.S.K. and Y.S. Line.

INFORMATION SPECIALIST. Doug Roberts has been named public information specialist in the marine department of the Port of Portland. He previously served as a public information officer for Clackamas Community College and the Oregon Department of Transportation.

LETTERS OF CREDIT SEMINAR. The Oakland World Trade Association is planning a seminar on letters of credit March 30, 1988. For information, contact Larry Brown at Bank of America, (415) 356-1133.

HAZARDOUS FACILITIES. The Los Angeles Board of Harbor Commissioners will host public workshops at the department's board room on Tuesday, January 26, and Thursday, January 28, on a draft Hazardous Facilities Relocation Plan. The draft plan recommends development of Pier 400, a 700-acre landfill, in the Outer Harbor to relocate hazardous cargo facilities which are inconsistent with the port's Risk Management Plan. Reservations should be made before January 22 by contacting the port's planning and research division at (213) 519-3850.

WESTERN SUNSET VP. Western Sunset International, a warehouse/distribution operator in Rancho Dominguez, CA, has named Mary Lou Hendricks vice president of marketing and sales. Hendricks joined the firm from Zim American Israel Shipping, where she was assistant regional manager in Los Angeles.

Hendricks

IN THE CHIPS. Y.S. Line's new ship *Choetsu Maru* loaded 29,450 tons of wood chips, shipped by Weyerhaeuser Company, on its recent maiden call at Tacoma. The shipment, handled by C. Itoh & Company, was desinted for a Chuetsu Pulp Industry Company mill in Sendai, Japan.

ADAMS, CLAY INSURANCE. Adams, Clay Insurance Brokerage Company has moved its offices to 601 S. Glenoaks Boulevard, Suite 300, Burbank, California. Adams, Clay provides insurance to the transportation industry and has offices in Illinois, Texas and Florida.

LA HARBOR ENGINEERS. The Los Angeles port authority is promoting Vernon Hall and Bruce E. Seaton to chief harbor engineer positions. Hall will move up March 28 from engineering division project manager. Seaton, who is also being designated as construction management director, has been construction management assistant director since 1983.

TECHNICAL ASSISTANCE. Underwriters Laboratories, Inc., is offering Technical Assistance to Exporters (TATE) service to help manufacturers meet international safety certification standards. For information, persons may contact UL at 1655 Scott Blvd., Santa Clara, CA 95050; phone (408) 985-2400.

FACILITATION WORKSHOP. The National Council on International Trade Documentation (NCITD) and the Marine Exchange of the San Francisco Bay Region are planning a workshop on "What's New in Facilitating International Trade," February 3 at the Clift Hotel in San Francisco. Registration fee is $55 for persons in NCITD- or Marine Exchange-member companies and $65 for the general public. For information or registration, persons may phone (212) 925-1400.

EXPORT PACIFIC '88. "American Competitiveness in the Pacific Century" will be the theme of Export Pacific '88, a conference/exhibition on Pacific Rim trade and investment, April 6-8 in San Francisco. For information, persons may contact the Meridian Pacific Group, (415) 381-2255.

'AGRIBUSINESS MATCHMAKER.' Persons wanting to participate in an "Agribusiness Matchmaker" program April 10-14 in Riyadh, Saudi Arabia, are asked to send a letter containing product information and export experience history to the U.S. Department of Commerce, 450 Golden Gate Ave., P.O. Box 36013, San Francisco 94102, Attn.: Saudi Matchmaker.

AUTO PARTS SHOW. Persons interested in details and promotional kits for an auto parts, components and equipment exhibition set for May 24-26 in Seoul may contact Robert Pata in the U.S. Commerce Department's San Francisco District office, (415) 556-5860.

Air Cargo

JOHN C. EMERY RETIRES. John C. Emery, Jr., chairman and chief executive officer of Emery Air Freight Corporation, has retired after 41 years of service. He will continue as a director of the corporation and as chairman of the executive committee of the board. William F. Souders was elected chairman and chief executive officer. Prior to his employment with Emery, he served as executive vice president and director of Xerox Corporation.

1988 AWARDS PROGRAM. The executive council of the 14th International Forum for Air Cargo is seeking nominations for the 1988 Awards Program. Awards are given in eight categories: shippers, airports, air carriers, integrated cargo systems, air freight forwarders, trade publications, equipment suppliers, and government agencies/programs. The 1988 Awards presentation will take place during special ceremonies at the 14th International Forum for Air Cargo May 2-5, 1988, at the Fontainebleau Hilton, Miami Beach, Florida. Nominations should reach the Forum Awards Committee no later than February 1. For additional information, contact the awards chairman, Paul J. Hyman, Director of Cargo Services, Air Transport Association of America, 1709 New York Avenue, N.W., Washington, D.C. 20006.

JACKY MAEDER MANAGER. Peter Triebel has been named branch manager of Jacky Maeder USA in New York. He was formerly with Jacky Maeder Zurich for 10 years. Triebel will be responsible for sales, market development and operations in the New York office. The company also announced other additions to its sales staff: Roger Roussel, Boston; Jack Huffman and Brian Bass, Charlotte; Sheila McNulty, Chicago; Jaye Aquino and Gerald Hulsizer, New York; Jim Morrow and Kathleen Merrill, Los Angeles; and Edward Rabette, San Francisco.

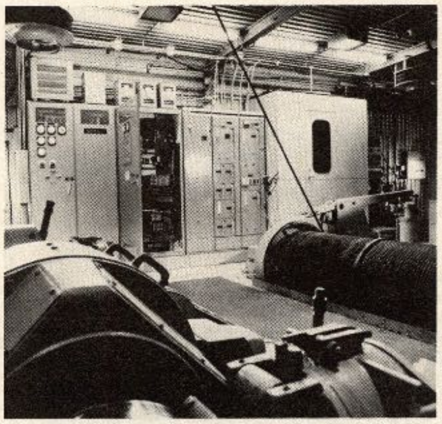
LUFTHANSA GAINS. During the first nine months of 1987, Lufthansa German Airlines reported air freight was up 13.6 percent to 526,319 metric tons. The revenue load factor improved 2.4 percentage points to 66 percent.

Equipment

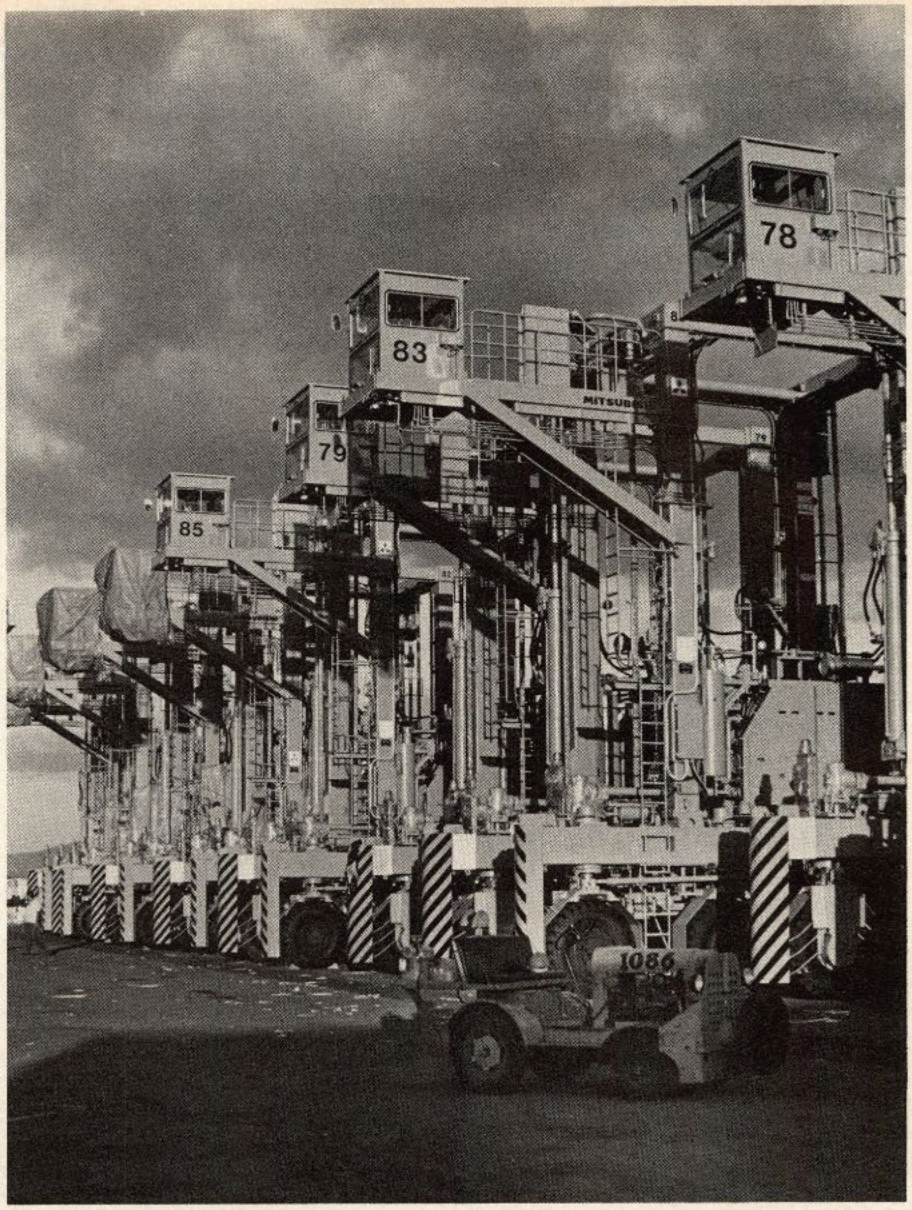
Electronic Terminal Transport

AC MATERIAL/KALMAR AGREEMENT. AC Material Handling Corporation and Kalmar Industries have agreed in principle for the formation of a "global partnership" for manufacturing and distribution of their material-handling systems. The agreement calls for AC Material Handling to assume operation of Kalmar's U.S. subsidiaries, Kalmar, Inc. and Kalmar Irion, Inc. AC Material Handling was formed in July 1986 following acquisition of the industrial truck division of Allis-Chalmers Corporation. The company headquarters is located in Columbus, Ohio. Kalmar is headquartered in Kalmar, Sweden, and manufactures and distributes material handling, warehousing and transportation systems.

ITEL VP MARKETING EUROPE. Ronald Howson has been named vice president of marketing-Europe for Itel Containers International Corporation. He will be based in London and will be responsible for marketing and operations in Europe, Middle East and Africa. Howson previously served as general manager for U.S. Lines. He also served in foreign and domestic assignments with Sea-Land and American President Lines.



MONTREAL PRODUCTIVITY. Racine Terminal in Montreal has increased the ship-to-shore Portainer crane's productivity by 25 percent by modifying the computerized control center. The modification involved replacing the analog control with a General Electric direct drive control system, which performs a comprehensive fault-finding function, increases the speed of the crane's operation and reduces down time and maintenance costs.



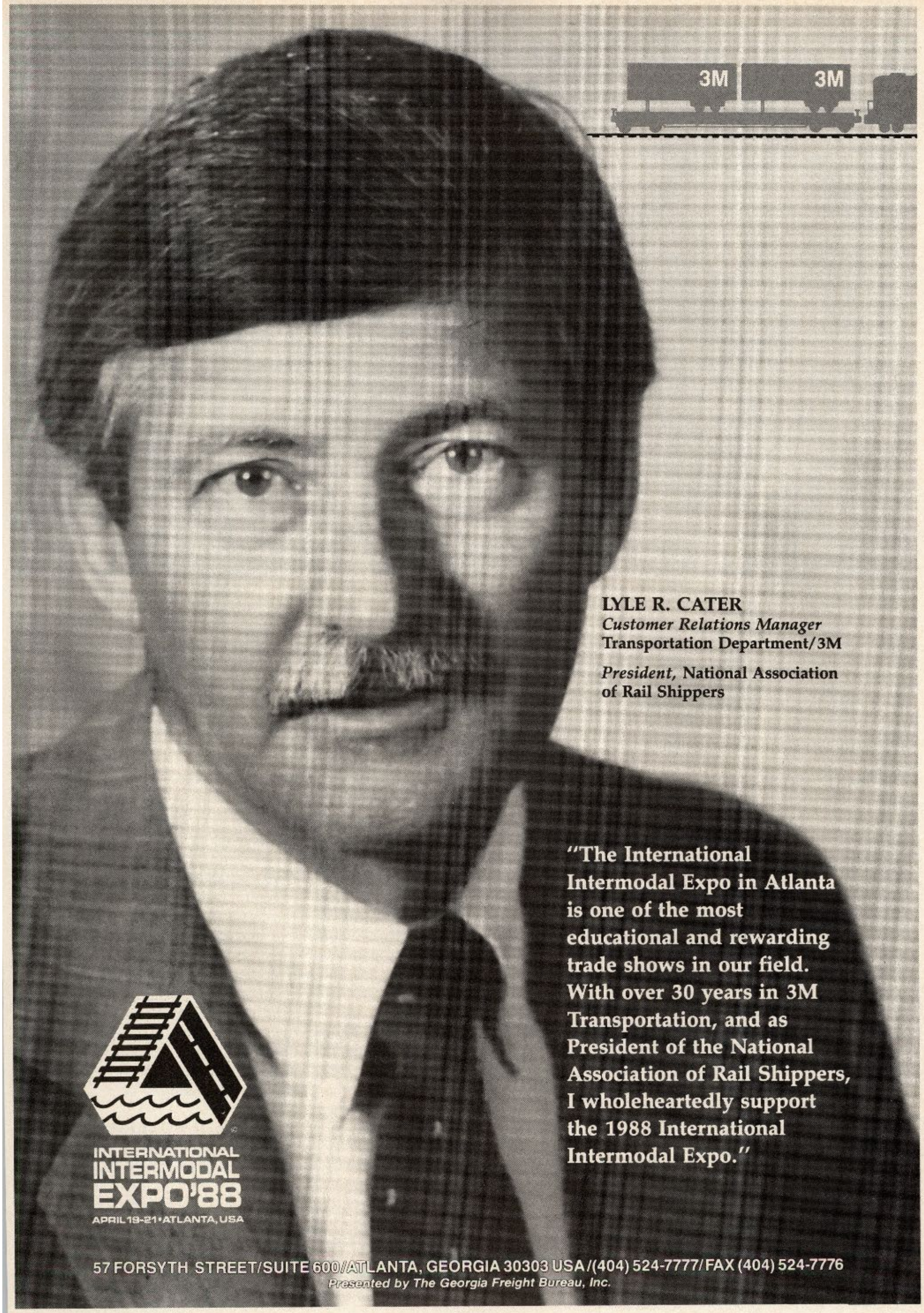
MATSON TERMINAL IN HONOLULU. Eight new straddle-carriers are lined up at Matson Navigation Company's Sand Island Terminal in Honolulu after arrival from Japan. They were shipped fully assembled on deck of a heavylift ship and will be ready for service after inspection and testing. Matson also will add five new straddle-carriers at its Oakland terminal and six at Los Angeles.

CRANE DEVICES. Cranetronics, Inc., the authorized U.S. distributor of Krueger crane operational aid systems and indicating devices, was awarded a government contract to supply the U.S. military with 1,170 crane indicating systems, according to Peter Esser, president of Cranetronics, Inc. The contract, to be filled during 1987-91, covers various indicating systems to be used for cranes which are being delivered to the U.S. Air force, the U.S. Navy and U.S. Army.

DEAD END POINT LOAD SYSTEM. Cranetronics, Inc. of Rockford, Illinois, has available the Kruger "Dead End Point" load indicating system which displays the actual load on the hook for cranes with even multiple parts of line load hoist reeving systems. It displays the weight in pounds or kilograms on a large LCD display. The system is available in sizes up to 200-ton load cell capacity.

BULK SHIP MARKETS. Charles Melaney has been named senior sales engineer in the material handling equipment group of PACECO, Inc., of Gulfport, Miss. He will be responsible for the primary metals, solid waste, pulp and paper, and bulk ship unloading markets. Prior to joining PACECO, Melaney was regional sales manager for Morgan Engineering Company of Alliance, Ohio. A native of Ohio, Melaney attended Youngstown State University in Youngstown, Ohio.

Melaney


3M
3M
LYLE R. CATER
Customer Relations Manager
Transportation Department/3M
President, National Association
of Rail Shippers
"The International
Intermodal Expo in Atlanta
is one of the most
educational and rewarding
trade shows in our field.
With over 30 years in 3M
Transportation, and as
President of the National
Association of Rail Shippers,
I wholeheartedly support
the 1988 International
Intermodal Expo."
INTERNATIONAL
INTERMODAL
EXPO'88
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57 FORSYTH STREET/SUITE 600/ATLANTA, GEORGIA 30303 USA/(404) 524-7777/FAX (404) 524-7776
Presented by The Georgia Freight Bureau, Inc.

POST PANAMAX TYPE CRANES AT MAERSK TERMINAL. Two new container cranes, the first of their type to be acquired by a West Coast port, have been installed at the Port of Oakland, California. Fully assembled and standing more than 20 stories high, the cranes were delivered to the port's Maersk Line terminal aboard the heavylifter vessel *Dock Express 20*. The cranes, weighing 1,000 tons, were lifted off the stern of the ship onto wheel assemblies positioned astride rails on the wharf. The cranes are the giant, third-generation "post Panamax" type. They have an over-vessel reach of more than 150 feet and can handle ships too broad of beam to transit the Panama Canal. They also can lift containers stacked six high on deck aboard ship, one tier higher than container vessels now in service. Each crane cost $4.5 million and brings to 24 the number of container cranes now in operation at the Port of Oakland. They were constructed by Korea Shipbuilding & Engineering Corporation of Busan, Korea, in a joint venture with Ederer Corporation of Seattle, Washington.

CONTAINER STORAGE PROGRAM. Logport International has issued the latest version of its Container Storage and Handling Program (C-SHARP) to the 17 users of the program in 13 countries. C-SHARP was developed to provide container repair depots with effective software to improve the efficiency of estimating and invoicing repairs, together with preparation and computation of storage and handling charges.

BROMMA TECHNOLOGY. Bromma Conquip AB of Stockholm has entered an agreement with Korea Heavy Industries and Construction Company for the Korean firm to manufacture a large number of container handling spreaders for the Nhava Sheva project in India. Bromma will supply some raw materials and construction technology. Bromma maintains manufacturing facilities in Sweden and the United States.

SHIPS LOADING COMPUTER. Puroflow Marine Corporation of Newport News, Virginia, has recently supplied a new version of its 240 VAC Spike & EMI Filter as part of a ruggedization kit for Sperry Marine's Ships Loading Computer-MC 500. This filter, combined with the Sperry Marine ruggedized computer, has fulfilled the hardware type approval test requirements outlined by Bureau Veritas of France, Lloyds of the U.K., Germanish Lloyds of Germany, and Det Norske Veritas of Norway, with regard to installing the system onboard ships for use as the primary loading calculator.

BAR CODE FOR IBM PS/2. INTERMEC has announced introduction of wedge reader support for the new IBM PS/2s and DEC VT320. These wedge readers facilitate bar code data collection with PCs and terminals without changes to existing application software. All data entered through the wedge is transmitted as if it were entered through the keyboard. Both wedge readers work with either a laser scanner, digital wand or slot scanner. Both also feature a 16-bit microprocessor and advanced decoding algorithms, and can read and autodiscriminate all major bar code symbologies. INTERMEC also has produced a twinax adapter to connect INTERMEC bar code printers to IBM Systems 34/36/38.

CARRIER TRANSICOLD DIVISION. Carrier Transicold of Syracuse has formed a new business unit called the "Special Products Division" under the direction of Richard Husted, vice president and general manager. The new group will be responsible for existing Transicold product offerings in support of marine, military and nuclear air conditioning and refrigeration. Carrier Corporation is a subsidiary of United Technologies Corporation.

MITSUBISHI FORKLIFTS. Mitsubishi Heavy Industries of Houston has announced plans to produce a line of engine-powered industrial forklifts beginning in July of 1988. The operation will supply forklifts to a 125-dealer network of Machinery Distribution, Inc., the U.S. distributor of Mitsubishi forklifts. The facility will also export products worldwide.

WORLD'S ORIGINAL CONTAINER CRANE GOES TO CHINA. The world's first high-speed, dockside container handling crane was recently shipped from Alameda, California, to the Port of Nanjing, China. Built by Paceco, Inc. for Matson Navigation Company in 1959, the crane set the standards for container crane design for manufacturers around the world. Designated as an "International Historic Mechanical Engineering Landmark" by the American Society of Mechanical Engineers in 1983, this original Portainer is scheduled to be rededicated by the ASME at the Nanjing International Container Terminal Services Company, Inc., on February 11. The first Portainer handled one 20-ton container every three minutes, in comparison to one longshore gang handling nine tons of cargo per hour before the advent of the dedicated high-speed container crane. Eventually, another Portainer was installed at the terminal in 1980. Recently, however, Encinal Terminals (the owner), unable to compete with larger ports for the mammoth container ships that dominate the shipping trade, sold the two cranes to the government-operated Port of Nanjing, near Shanghai, China.

TERMINAL OPERATION CONF. The Fifth Terminal Operations Conference and Exhibition will be held at the Palais des Congres in Marseille May 25-27, 1988. This year's program will give special attention to small port development and profitability, including privatization and marketing strategies. A session is scheduled to study the problems of developing nation ports, with speakers from Asia, Africa and South America. For further information, contact Conference Manager, CS Publications Ltd., McMillan House, 54 Cheam Common Road, Worcester Park, Surrey KT4 8RJ, England, telephone 01-330 3911, telex 9853141, telefax 01-330 5112.

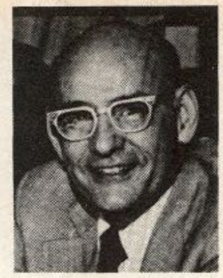
NARROW AISLE FORKLIFT. Drexel Industries, Inc., Horsham, Penn., has developed the industry's first internal combustion-powered indoor/outdoor Very Very Narrow Aisle forklift truck, according to Skip Russo, vice president of sales. The Drexel R40-SL, utilizing the SwingMast front end design, is capable of working in aisles as narrow as five feet with a standard 48L X 40W pallet. It can handle 4,000-lb. loads with lift heights up to 20 feet. It is available in gas, propane or diesel.

ORDERS FOR 300 OTTAWAS. Ottawa Truck Corporation, headquartered in Ottawa, Kansas, received orders for more than 300 port tractors for Ro/Ro and other stevedoring operations during 1987. Pacific ports accounted for more than 150 Ottawas for delivery to Singapore, Guam, Thailand and the Philippines. According to a report by the company, sizeable orders were also received from Sea-Land, Maher, Tropical, Continental Stevedoring and Puerto Rico Marine Management.

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) 772-0690
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) 435-1870
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
Vancouver	(206) 693-3611
Longview	(206) 425-3305
Tacoma	(206) 383-5841
Seattle	(206) 728-3400
Bellingham	(206) 676-2500



Do It Right; or Leave It Alone

Last month, I wrote in this space suggesting that Shippers for Competitive Ocean Transportation (SCOT) dould be a logical place for international shippers to find a home of their own following the break-up of the National Maritime Council. NMC's approximately 500 shipper advisors would do well to rally around SCOT, I wrote, except that "SCOT's agenda is really set by the Chemical Manufacturer's Association, and needs of other shippers do not always coincide with those of the chemical industry."

A chemical shipper active in SCOT wasted no time in letting me know that CMA does *not* set SCOT's agenda. It is merely a coincidence, he said, that the cargo preference issues in which SCOT has been most active—and very effective—are issues in which the CMA has been vitally interested. One should not be misled by the fact that SCOT's part-time executive director, George Miller, came from Lubrizol Corporation, and its acting counsel until mid-1987, Ken Kastner, came from CMA's staff.

SCOT's chairman is Richard V. Collins, president of Draco Marine, which imports Perrier water, among other items. Immediate past chairman was Richard Haupt of Ford Motor Company. Members of the steering committee over the past two years have come from such non-chemical companies as Sears, May Company, 3M, Weyerhauser, J.C. Penney and others.

Good friends active in SCOT inform me that just one year ago SCOT's steering committee considered broadening its base of membership and becoming a totally independent organization concerned with all international shipping activity. For budgetary and other reasons, action was deferred. But the issue was scheduled to come up again at meetings in Washington January 13-14, too late to report in this issue of *American Shipper*.

It all makes very good sense to me.

NMC shipper advisors who heard formal proposals of affiliation from both the Containerization & Intermodal Institute (CII) and the National Industrial Traffic League favored affiliation with the League. NIT League reportedly offered to set up a special department or subsidiary dealing with international shipping provided a sufficient number of the approximately 500 NMC shipper advisors sign on and agree to dues of about $150 per year.

If all 500 signed on, that would provide a budget of about $75,000 a year.

If international shippers truly desire to have their needs represented in Washington, they'd better be prepared to fund a minimum budget of $500,000 to $750,000, and sign on a strong executive who not only understands the needs of shippers but of carriers; understands the importance of transportation in successful marketing of American goods overseas; understands how Washington works; has charisma or "presence," and has the ability and confidence to be a leader. Someone like Dr. Leslie Kanuk, as an example. Her background was in marketing before she served as chairman of the Federal Maritime Commission. And she has maintained her interest in shippers as chairman of the Containerization & Intermodal Institute. Others who come to mind include proven leaders from SCOT such as Kastner, Miller, Collins, Richard Haupt or Roger Wigen. Or someone like Wilton B. Jackson, retired from DuPont, who played a key role in putting the NMC shipper advisors together. I'm sure there are others.

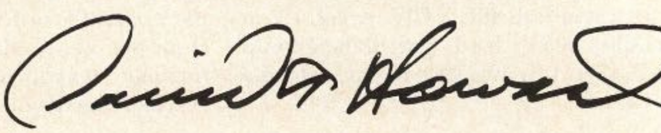
But before anyone starts thinking about individuals, shippers themselves have to come to grips with the question and decide whether they want such an organization.

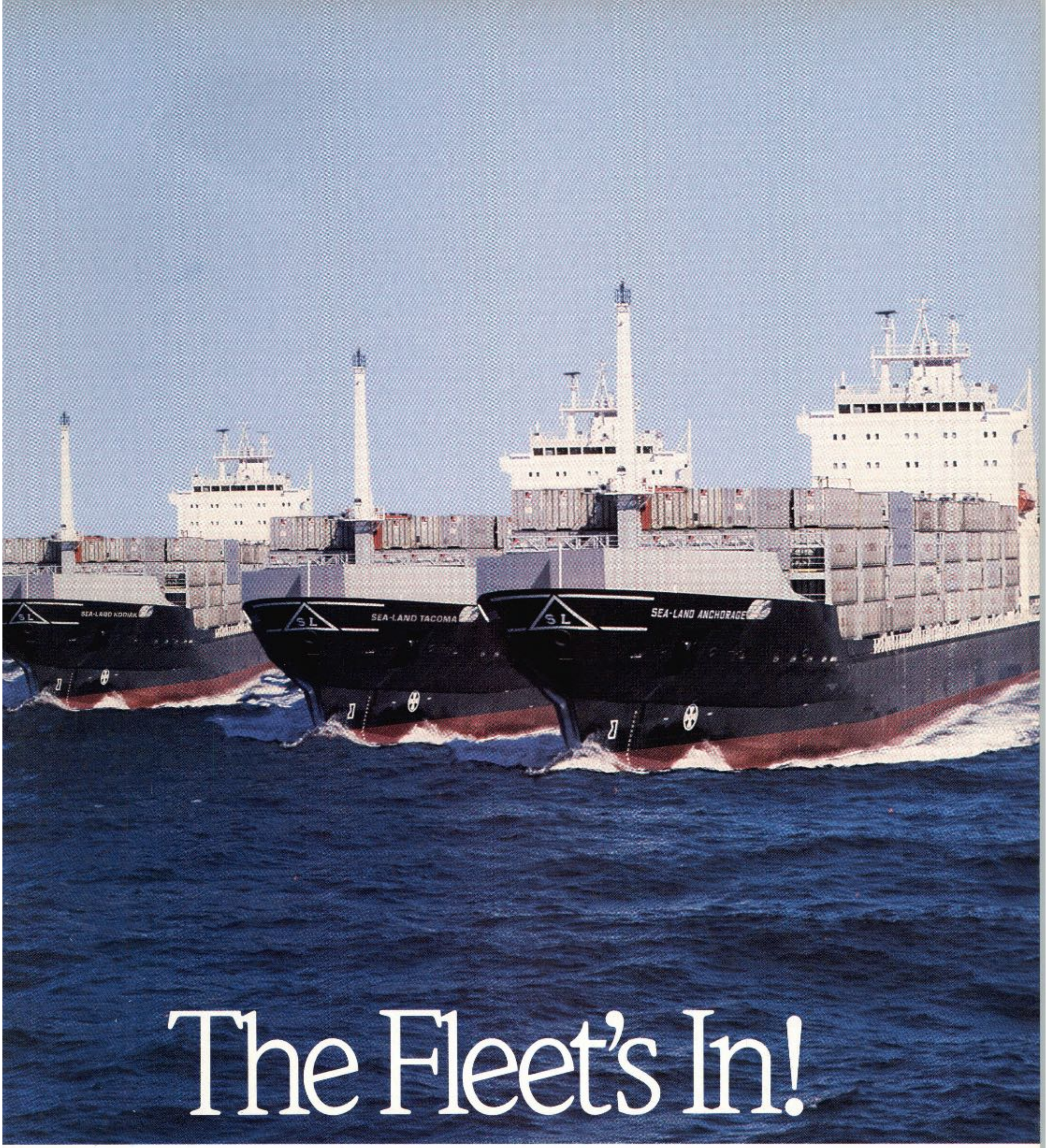
The following is part of a letter which I received in early December from a shipper in the Pacific Northwest.

"Your editorial in the December issue hit the nail on the head regarding the phoenix that should or could rise from the NMC (National Maritime Council) ashes. Our company never became one of the 500 NMC shipper advisors precisely for the reasons you outlined: rate negotiations, emulation of the ESC (European Shippers Council), and carrier toadyism. I think your views on the specific needs and structure are in line with my own.

"... If you can advise who is heading up the reorganization, I would be willing to get in touch directly. We could use some regional networking on the international level here in the Pacific Northwest."

If enough shippers feel the same way, they will form their own organization and fund it properly.




SEA-LAND TACOMA
SEA-LAND ANCHORAGE
The Fleet's In!

WHY OOCL CUSTOMERS TALK "SERVICE"

Todd Kotas
OOCL Representative

FOR ONE GOOD REASON. THEY GET IT!

OOCL knows the shipping business. We know that good business is built on good service. Responsive . . . effective . . . reliable service at every level of operation.

What else can you call it but *quality* service—and it's the only kind OOCL delivers. It's no wonder our customers talk about us . . .

"OOCL has been very responsive to all of MONSANTO's needs over the years. They have very capable people in all the offices we deal with. They're able to answer my questions quickly. And if there is a problem, they know where to go to get it solved."

"We've stayed with OOCL over the years because they continue to offer us good service at a competitive price."

George Hazzard
Distribution Manager
MONSANTO CHEMICAL CO.

OOCL

Dedicated to Quality Service