

Common Interest



Joint Shipper Declaration*

Shippers understand the need to develop technical agreements among shipping lines serving the same trade (consortia) with a view to making maritime services more efficient, decreasing costs to the shipper and improving profits for the lines.

European Shippers' Councils
Japan Shippers' Council
National Industrial Transportation League

* Full text on page 33

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Notes and Comments

By Joseph Bonney

and Tony Beargie



■ **Edward Emmett, the deregulation-minded president of the National Industrial Transportation League, has been labeled "the new Rob Quartel" in Washington. And no wonder — the two have been good friends since college.**

Emmett and Quartel, the former Federal Maritime Commission member, got to know each other while attending Rice University in Houston. Emmett entered Rice in 1967, a year before Quartel.

"We were both active in school government, school politics and Republican politics," Quartel told *American Shipper*.

Quartel said they shared the same political and philosophical bent. "I don't think there's any question about that," he said. "Ed and I were Bush Republicans."

Under the Bush administration, when Quartel served on the Federal Maritime Commission and Emmett chaired the Interstate Commerce Commission, "we frequently talked," Quartel said.

They stayed in close touch after Quartel left the FMC to go into private business and Emmett left the ICC for the NIT League.

When the Trans-Atlantic Agreement came into being, Quartel advised Emmett that he would have no chance to get action by the FMC, and that the NIT League should file a protest in Europe.

"I put the bug in his ear," Quartel said. "And to his credit, (the protest to the European Union) got the whole thing kicked off here. The FMC has been scurrying to catch up ever since."

■ **The Republican Party's congressional election sweep may spell big trouble for the U.S.-flag maritime industry and all that goes with it in Washington.**

A House Republican task force is eyeing the elimination of the Merchant Marine & Fisheries Committee. The committee's fate will be known by the first week of December, but some Washington insiders say they have little doubt the panel will be eliminated.

The feeling on Capitol Hill is that the House merchant marine and Coast Guard subcommittees will find a new home in the House Public Works and Transportation Committee, thereby placing all transportation modes under one roof.

Eliminating the Merchant Marine and Fisheries Committee is hardly a new idea. There was a big fuss over the issue 20 years ago when the Bolling Committee recommended that the committee be eliminated. But at the time, the U.S.-flag maritime industry was strong enough to beat back the recommendation.

Today, however, the U.S.-flag interests are not nearly as strong as they were in the 1970s. They'll have a tough time prevailing this time around.

■ **Ernest J. Corrado, president of the American Institute of Merchant Shipping, says he doesn't think "there is any chance" to save the committee.**

"It looks like the committee is a thing of the past," Corrado said.

As chief counsel to the committee in the 1970s, when it was chaired by the late Rep. Leonore Sullivan, D-Mo., Corrado was instrumental in saving the merchant marine committee.

Corrado said the power shift in Washington also means trouble for the maritime subsidy program that the Clinton administration has vowed to fight for again this year.

Other longstanding programs, such as cargo preference, the 1984 Shipping Act, and even the Jones Act, also will face scrutiny.

"They will all come under fire. Whether or not they will be eliminated is another question," Corrado said.

The big battles will be fought over cargo preference laws and the 1984 Shipping Act, Corrado predicted. The Jones Act, which reserves the domestic trade for U.S.-flag vessels, should be "safe for a few years," he said.

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Dismantling the House Merchant Marine and Fisheries Committee could weaken support for the Federal Maritime Commission and the Maritime Administration, Corrado said.

But Corrado does not feel that it is curtains for the U.S.-flag sector. He predicts this will be a time of adjustment. "This is not the end," he said. "The industry will survive. It always has."

■ ***On the Senate side, the merchant marine subcommittee will remain under the Senate Commerce, Science & Transportation Committee.***

But don't expect that committee to be an advocate of new subsidy programs. The committee's new chairman is expected to be Sen. Larry Pressler, R-S.D., who killed the maritime subsidy program during the waning days of the last congressional session.

If tradition holds, the merchant marine subcommittee chairmanship will pass to the subcommittee's ranking Republican, Sen. Trent Lott, R-Miss., whose hometown of Pascagoula includes Ingalls Shipbuilding.

■ ***The GOP takeover of Congress could also give shippers the ammunition they need to eliminate the Federal Maritime Commission and major provisions of the 1984 Shipping Act.***

FMC officials are clearly nervous. The National Industrial Transportation League wouldn't mind seeing the FMC merged with the Interstate Commerce Commission.

NIT League president Ed Emmett would be even happier to see elimination of the liner conference system and filing of tariffs and service contracts.

The day after the election, FMC chairman William D. Hathaway jokingly called the Democrats an "endangered species."

Ming Hsu, the lone Republican member of the commission, voiced concern over the FMC's future. "I think we're going to be looked into. I am concerned," she told *American Shipper*. "I don't think we will be eliminated, but I don't know."

■ ***Privately, officials in Washington feel that former FMC commissioner Frank Ivancie may have come on too strong in his speeches over the years to the Europeans.***

"Frank is well liked, but he would go over there and tell the Europeans 'to do things our way' or to 'follow the example of the FMC,'" one official said. Others privately confirmed this feeling.

Recently, FMC chairman Hathaway flew to Europe to mend some fences by calling for more cooperation between the Europeans and the FMC.

■ ***Which third-party logistics companies are likely to come out on top in the next few years? Ryder Dedicated Logistics finished atop the list in a recent survey of top third parties.***

Hugh Randall of Mercer Management Consulting and Robert C. Lieb of Northeastern University polled the CEOs of the

LETTERS

Everhard 'off the mark'

In your November 1994 edition, the Notes and Comments column by Messrs. Bonney and Beargie recites Conrad Everhard's belief that the FMC is not flag-blind and cites as evidence the unequal amounts paid by various carriers in settlement of the FMC's Fact Finding No. 18. Mr. Everhard is off the mark.

It is true that the FMC is not flag-blind when it acts in its promotional capacity under, for example, the Foreign Shipping Practices Act. When so acting, it seeks merely to remove unfair, adverse trading restrictions imposed on U.S.-flag carriers in foreign countries. But seeking a fair and equal competitive environment for U.S. carriers within the confines of our trading partner's jurisdiction is hardly something a foreign carrier should complain about when it has unrestricted access to the huge U.S. market.

The FMC's promotional role does not, however, extend to the enforcement area, as Everhard should know. The settlements in Fact Finding No. 18 were worked out with the commission's bureau of hearing counsel, a staff of independent-minded professionals. What Mr. Everhard overlooks is the obvious explanation for disparate settlements, viz., differing degrees of culpability based upon different courses of conduct. It is a source of pride to APL as a U.S.-flag carrier that legal compli-

ance in its operations is purposefully maintained.

David V. Ainsworth
VP & general counsel
American President Lines

Most NVOs are honest

I was left with a feeling of intense umbrage after reading the letter from one Ollie Bergvall of V&S Vin & Spirit published in your November issue. His insinuation that all NVOCCs and freight forwarders are incompetent and untrustworthy cannot be allowed to go unchallenged by your publication. I haven't the slightest idea with whom Mr. Bergvall may have done business with in the past, but regardless of his own personal experience, making such a broad assumption is pure hyperbole.

I happen to work for one of those allegedly unscrupulous NVOCCs, and can unequivocally state that our company, I.C.E. Transport, prides itself on its honesty and integrity. My fellow employees and I spend an inordinate amount of time making sure our shipping customers are well-informed and allowed to decide for themselves which routing scheme is most beneficial to their interests.

While it is true that there are some dishonest practitioners in our line of business, the vast majority are diligent and ingenious

and constantly have the shipper's best interests in mind. "Smooth operators" are not exclusively domiciled in the offices of consolidators. I advise Mr. Bergvall to broaden his horizons and give some reputable NVOs the opportunity to demonstrate how invaluable their services really can be.

Daniel Zupko
I.C.E. Transport Co.
Hoboken, N.J.

Joint service agreement

A minor but important note in regards to an article in your November issue.

In your item on the Crowley/Ivaran space charter arrangement on the East Coast South America trade (November *American Shipper*, page 97), you correctly identified Columbus Line and Alianca among other lines which have entered into sharing agreements on this trade, but incorrectly characterized it as a space charter agreement.

In fact, the two lines operate under a joint service agreement. As a point of further clarification, Columbus Line and Blue Star operate under a slot charter agreement on their service between North America and Australia/New Zealand.

Douglas Webster
Managing director
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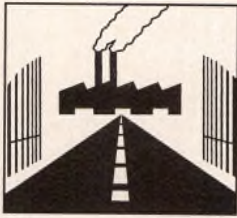
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25 largest third-party logistics companies, and got 22 responses.

They asked the CEOs to identify the three third parties they thought had been most successful to date, and to predict which they thought would be most successful three years from now.

Ryder finished first in both categories. In the "today" survey, Ryder got six first place votes. Exel Logistics was next with four first-place votes, two seconds and one third. Roadway Logistics was third with three firsts, three seconds and one first, for a total of 16 points.

Others perceived by CEOs of rival companies as being leaders today include Federal Express Logistics (two firsts, one second, two thirds), Schneider (one first, two seconds), and GATX Logistics (two second-place votes).

The list of companies forecast to be leaders three years from now was led by Ryder (five first-place votes and four seconds), Roadway (five firsts, one second), Exel (one first, three seconds), FedEx and Schneider, each with one first and two seconds, and Menlo Logistics (two seconds, one third).

■ **Sea-Land Service has made it official: The company will reduce its staff and shift its corporate headquarters and senior executives to Charlotte, N.C.**

The CSX Corp. subsidiary announced a reorganization that will consolidate senior management functions in Charlotte. Those functions now are in Liberty Corner and Elizabeth, N.J.; Seattle, and Rotterdam.

The move of corporate headquarters to Charlotte, planned for next summer, comes only two years after Sea-Land shifted its headquarters to Liberty Corner from Edison, N.J., 20 miles away.

John Clancey, president and chief executive officer, said putting all top executives under one roof would enable the company "to think and act as one integrated, interactive, global company."

Sea-Land plans to reduce staff by an unspecified number of jobs, and told employees that some of them would not be offered transfers. Clancey told employees that it may take until the end of the year before all decisions are made on which staffers will retain their jobs.

In connection with the headquarters move, Clancey announced a reorganization of the company's top-level executives, all of whom will be transferred to Charlotte.

The company's Pacific division, which had been jointly run by senior vice presidents Thomas G. Cowan and Richard E. Murphy, will be headed by Cowan, whose title will be senior vice president, Pacific and Alaska.

Murphy was named senior vice president, Atlantic, and will manage the carrier's transatlantic and Asia/Mideast/Europe trades.

He will take over duties of Wilford W. Middleton, who has been based in Rotterdam as executive vice president, Atlantic, and now is executive vice president, corporate marketing.

William Kennell, who was vice president for corporate marketing, has been shifted to vice president of North America sales for the Pacific division.

Cowan, Murphy and Middleton will remain on the company's executive committee, along with Clancey; Robert J. Grassi, senior vice president, finance and planning; and Charles G. Raymond, senior vice president, operations. Grassi and Raymond will have no change in title. There may be some additions to the executive committee, the company said.

Sea-Land said its sales, documentation and customer service staffs will not be affected by the headquarters shift.

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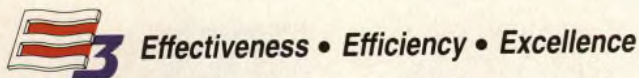
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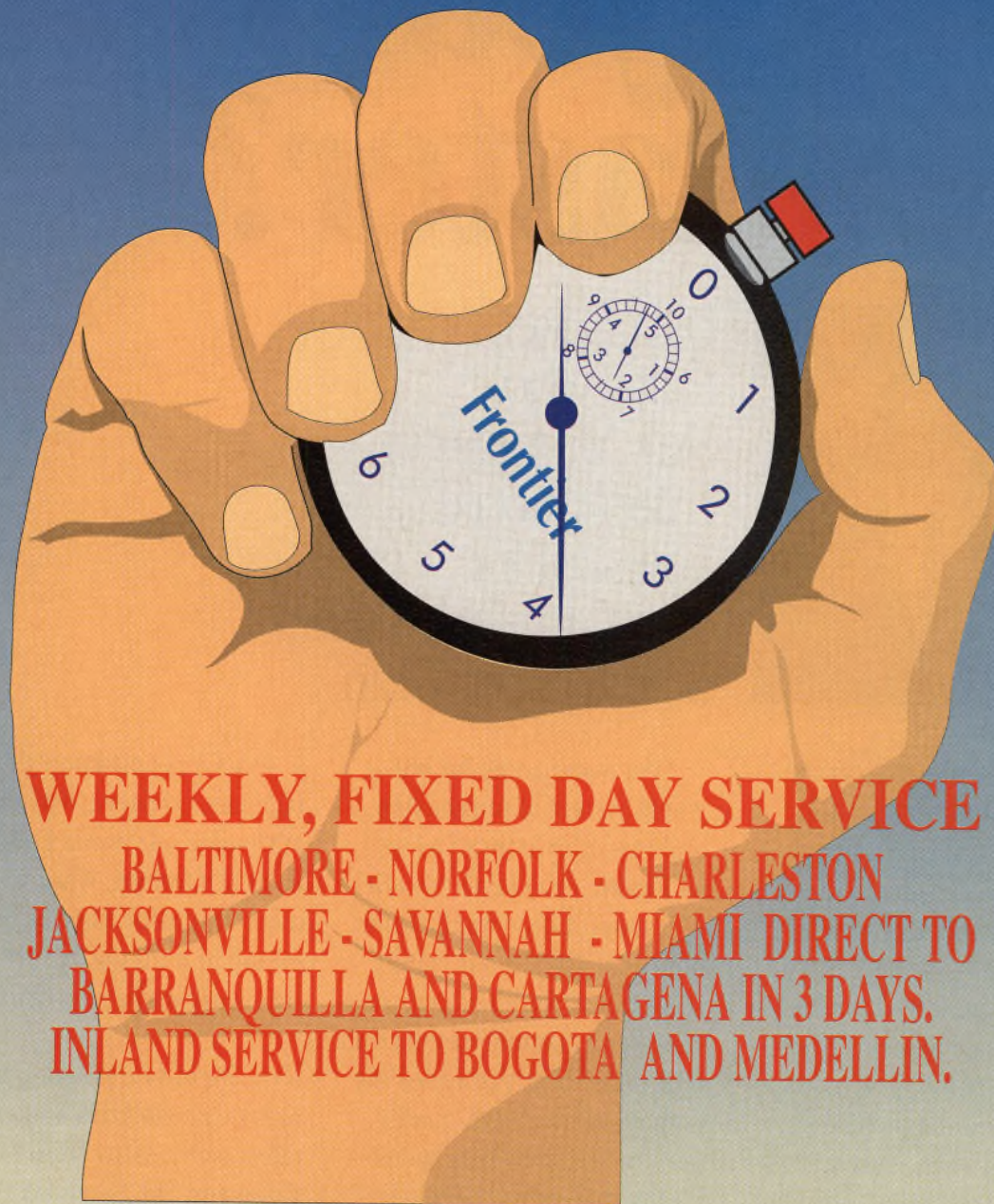
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FMC digs deeper

Rejects proposal to subject conferences to antitrust law, but may require more details on costs, profits, market share.

By Tony Beargie

The Federal Maritime Commission has rejected a proposal to subject ocean carrier agreements to antitrust enforcement, but may require them to provide details on costs and profits.

The proposed changes are part of the FMC's review of its enforcement under 1984 Shipping Act's Section 6(g), which empowers the commission to seek injunctions against anticompetitive agreements.

The Justice and Agriculture departments, supported by shipper groups, urged the FMC to subject steamship conferences to the same merger guidelines used in antitrust enforcement of other industries.

Carriers responded by accusing shippers of trying to use the review of Section 6(g) as a "trojan horse" to gut the 1984 act.

The FMC voted to seek public comment on a staff proposal that rejected the Justice Department's proposal but would for the first time require certain carrier agreements to provide the commission with data on costs and profits.

Six Classes Targeted. The FMC's proposed reporting requirements would apply to six classes of agreements the commission said carry the "most serious" potential anticompetitive effects:

- Cargo or revenue pooling agreements.
- Joint service agreements.
- Capacity management or capacity regulation programs.
- Rate-making agreements which would also include informal or non-binding rate agreements among non-conference lines, as well as the more traditional conference rate agreements.

- Non-binding service contract discussion arrangements, primarily among non-conference carriers.

- Discussion or exchange of vessel-operating cost information arrangements.

New Filing Requirements. Under the FMC proposal, carriers would be required to file a new information form at the same

time they file their basic agreement.

The plan would require member lines' cargo carryings, revenue results, and port service patterns for a one-year period before the carriers entered into their new agreement. Market-share data would also be required. All data would have to be broken down into sub-trades.

Under the current system, agreement members file data on a much broader basis,

covering their entire geographic scope.

But the FMC said that because many agreements now cover more than one trade, "the reliability and probativeness of that information has become increasingly problematic."

After the information form is filed, carriers would be required to regularly file operations reports with the FMC. The FMC proposal would link the information form and subsequent reports.

"Aside from some activities that occur only after an agreement has gone into effect (such as independent action rates), the reporting requirements (would) track the subject areas of the information form," said FMC attorney John Cunningham.

"The intent is to enable the commission to compare the carriers' operations and economic results before and after their agreement went into effect, and thus to gauge more accurately" an agreement's impact in the relevant trades, Cunningham said.

Carrier agreements holding a 50 percent or more market share in half or more of their sub-trades would be required to file quarterly reports containing sensitive financial information. This would include profit and cost data.

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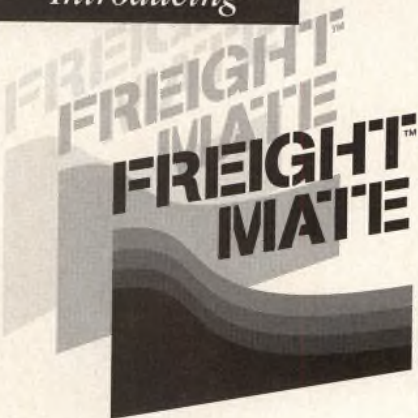
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NEWSFRONT

Carriers would have to identify major moving commodities for each sub-trade covered by the agreement, along with the amount carried for each commodity and the revenue per container for each commodity.

Carriers would also have to file member lines' port service histories and immediate service plans under the agreement.

Information form information would give the FMC "a baseline for future regulation," Cunningham said.

"Put simply, the information form will show how the carriers were operating — and how cargo was moving — before the agreement. Once the agreement goes into effect, information on how the carriers are operating — and how cargo is moving — under the agreement will be obtained on a regular and continuous basis," he said.

50 Percent Threshold. Carrier agreements holding a 50 percent or more market share in half or more of their sub-trades would be required to file quarterly reports containing sensitive financial information. This would include profit and cost data.

Agreements carrying the 50 percent market share threshold "would pose a significant threat of abuse of its market power and antitrust immunity, and would require careful regulation," the FMC staff report said.

The data would be reported by sub-trade and would focus on the cargo being carried. The reports would also pay close attention to the level of service contracting and independent action activities. These requirements should allow the FMC to take quick action if it appears "that certain commodities or types of shippers are receiving unfair treatment," Cunningham said.

Profits and Costs. Carrier profit information is significant, Cunningham said. If there is a monopoly in the trade, then the FMC has to find out if the agreement members are earning monopoly profits, he added.

Cost information is important in measuring efficiency, Cunningham said.

"We want to get a handle on how competitive the conferences are," he said. Cost and profit information is helpful in deciding a section 6 (g) case, he added.

To keep such sensitive information confidential, the FMC may code the data, using a system similar to what European

regulators used for the Trans-Atlantic Agreement and Trans-Atlantic Conference Agreement.

"Carriers would have severe heartburn — heartburn with us and heartburn with each other," if their identification became publicly known, said Austin Schmitt, the FMC's director of trade monitoring and analysis.

FMC Members Raise Concern. Some FMC members, particularly commissioners Ming Hsu and Hal Creel, cautioned that the agency may be inviting trouble by imposing a formal rule requiring disclosure of sensitive business information.

Other commissioners shared this concern but noted that the idea at this stage is simply a proposal designed to get public comments.

Hsu said she was concerned that the information could leak into the public domain. She is also concerned over the FMC

"over-reaching."

"I am not sure it is absolutely necessary to have this information nailed down in regulations," Hsu told *American Shipper*. "If we need this kind of information, the FMC can always go and ask for it."

Obtaining carrier cost and profit information can be done within the context of

"Carriers would have severe heartburn — heartburn with us and heartburn with each other," if their identification became publicly known.

Austin Schmitt
FMC

an investigation into a particular agreement, rather than through regulations applicable to a broad class of agreements, she said.

Hsu emphasized that she supports the thrust of the proposal, but that she is concerned over the "quantity and complexity of the information" which will soon be officially described when the FMC issues its proposed rule.

She also supports close monitoring of agreements. "I feel close monitoring by the FMC should be a price conferences pay in exchange for their antitrust immunity. At the same time, I would like to make sure we're not imposing an excessive burden on these agreement members," Hsu said.

Commissioner Del Won agreed that there may be problems associated with demanding cost and profit information. However, "this option has to be explored."

All five commissioners voted to include the cost and profit data in the proposal seeking public comments. "Since this is only a proposal, and not a final rule, I will go along with this," Hsu said. ■

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Another Plus from Nedlloyd Lines

Hints of a kinder, gentler TWRA

Forwarders at WESCCON find Pierce's remarks surprisingly — and pleasingly — conciliatory.

By Richard Knee

The applause that Albert A. Pierce Jr. received after addressing a West Coast freight forwarders' gathering recently was more than just polite.

Pierce, who heads the Transpacific Westbound Rate Agreement, predictably defended attempts by shipping lines to raise their rates; in fact, he reiterated that the TWRA would continue with a series of rate hikes starting Nov. 1 (November *American Shipper*, page 9).

At the same time, in what could signal a warming of relations between the TWRA and the forwarder/exporter community, Pierce hinted at an increased receptivity on the conference's part to service contracts and acknowledged the difficulties that global competition poses to shippers of low-margin commodities.

"It's the first time I've heard a conference person lay out those positions," remarked Peter A. Friedmann, a Washington-based attorney who, as counsel to a handful of forwarder and shipper groups, has frequently butted heads with Pierce and other conference executives.

In fact, Pierce announced after the formal part of his speech that the TWRA was negotiating what would be its third-ever service contract.

He did not reveal the commodities or routings involved but did say the TWRA had offered a 2 percent discount from tariff rates for a minimum-volume commitment of 5,000 forty-foot-equivalent units (FEUs).

Pierce made his remarks to a rapt lunchtime audience of some 300 forwarders and customs brokers on the second business day of the annual Western Cargo Conference (WESCCON), held Oct. 21-22 in Incline Village, Nev.

WESCCON was organized by the Pacific Coast Council of Customs Brokers & Freight Forwarders Associations (PCC), which comprises the industry groups from the San Diego, Los Angeles and San Francisco Bay regions, and Oregon and Washington states.

Relations May Warm. In the closing moments of his formal address, Pierce raised more than a few eyebrows when he said, "I look forward to working closely with all of you in the future on rate and service packages designed to meet your specific needs."



"It's the first time I've heard a conference person lay out those positions."

Peter A. Friedmann,
Counsel, Pacific Coast Council
of Customs Brokers & Freight
Forwarders Association

"(The) TWRA ... is continuing to explore various options for improving rate stability and predictability westbound," he said. "We're now in the process of gathering and exchanging information toward that end, and input from the forwarder community is needed and welcome. The better I understand your business, the more effective I am at mine."

"Everybody is encouraged that they're reconsidering their service contract policy," said Friedmann, who is the PCC's counsel and executive director.

Even so, he voiced skepticism toward the TWRA's negotiation of a possible new service pact.

A proposed commitment to 5,000 FEUs in exchange for a 2 percent discount "is not a real offer," he asserted.

Nevertheless, Pierce's comments regarding service contracts and other issues indicated that the TWRA might be a bit more flexible with shippers and forwarders under his leadership than it was during the tenure of Ronald B. Gottshall.

"I thought he lifted some of the paragraphs

right out of the position papers of AgOTC (Agriculture Ocean Transportation Coalition)," Friedmann said, referring to Pierce's acknowledgment of the problems confronting shippers of low-margin goods.

AgOTC is a group of farm-goods shippers and another Friedmann client.

Problem for Both Sides. Fierce international competition and the spot-market nature of raw commodities, especially waste paper, create problems for both shippers and carriers, Pierce noted.

Waste paper accounts for nearly one of every eight containers moving on TWRA members' vessels, he said.

Because waste paper is relatively low valued, transportation accounts for more than 35 percent of its landed cost, and this holds for hay and alfalfa, scrap metal and several other commodities, he said.

"Value added is what gives both the shipper and the carrier some pricing leeway, and many of the major commodities moving westbound don't have that value added," Pierce said.

"The product can be sourced anywhere," he added. "In some cases — lumber or steel or citrus, for example — our competition could be breakbulk charters or even neobulk vessels. Our pricing may be held hostage to commodity futures and spot markets, which fluctuate on a daily basis. ..."

"Then, there's the problem of alternative foreign sourcing. Exporters of synthetic resins face competition from new domestic petrochemical plants now under construction in Asia. U.S. forest products are confronted with environmental restrictions at home and competition from newly privatized forestry reserves in countries like East Germany, New Zealand and Chile.

"This," Pierce remarked, "doesn't leave transportation companies with a lot of room in their pricing, to get these commodities to market."

"Add the kind of chronic vessel overcapacity we've seen since the mid-1980s, plus the statutory guarantee of an individual conference line's right to take independent action on tariff rates with 10 days notice, and the downward pressures on rates exceed any leverage the conference structure can bring to bear on the market," he said.

Rate Hikes Defended. Rate hikes are justifiable not only in light of rises in operating costs but because of the investments carriers have made in order to meet shippers' service requirements, Pierce asserted.

U.S. exporters are the beneficiaries of that investment, he contended.

"Raw-commodity markets, for example, are frequently spot markets," he said. "Sup-



"There is value in a reliable infrastructure that is ready to accommodate peak surges and yet does not disappear during dry spells."

**Albert A. Pierce Jr.,
Executive Director, TWRA**

ply, demand and price are constantly in flux. Purchases may be made in huge volumes at very short notice, in anticipation of price increases or a surge in demand.

"Conversely, orders may slow to a trickle as buyers hedge against the possibility of higher prices, supply shortages or changing government regulations and trade policies or other market developments on the horizon.

"There is value in a reliable infrastructure that is ready to accommodate peak surges and yet does not disappear during dry spells," he said.

Asked for some "ballpark" numbers on the TWRA's base-rate plans, Pierce said they would be in the range of \$120 per FEU or between \$5 and \$6 per ton.

During his formal speech, he said he expected major independent lines to support the new round of rate hikes.

"There is now less of a service differentiation between conference and independent lines," he said. "The newer independent carriers have, themselves, invested heavily in assets and systems development. They are encountering comparable costs and, in some cases, can no longer hedge those rising costs with the assurance of a booming home market in which they will automatically enjoy preferential treatment." ■

Rates on exports to Asia may rise

Westbound Transpacific Stabilization Agreement members plan increases in early 1995. Shippers have mixed views.

By Richard Knee

The Westbound Transpacific Stabilization Agreement (WTSA), announced Nov. 4 that its members would seek rate hikes of at least \$100 per 20-foot container, \$120 per 40-foot container and \$5 per metric ton on virtually all goods moving on their vessels.

If the market projections of WTSA secretary Albert A. Pierce Jr. are accurate, the carriers appear to have a fairly good shot at getting at least a portion of their target increases to stick.

While the WTSA is not a rate-setting conference and does not file tariffs with the Federal Maritime Commission, it does provide a vehicle for conference and independent shipping lines to agree on goals for price levels without running afoul of U.S. antitrust laws.

All the members of the conference in the trade, known as the Transpacific Westbound Rate Agreement (TWRA), belong to the WTSA. They are American President Lines, Hapag-Lloyd, Kawasaki Kisen Kaisha, Maersk Line, Mitsui O.S.K. Lines, Neptune Orient Lines, Nippon Yusen Kaisha Line, Orient Overseas Container Line and Sea-Land Service.

The other WTSA members are non-conference carriers Evergreen Marine, Hanjin Shipping, Hyundai Merchant Marine and Transportacion Maritima Mexicana.

Commodities targeted by the WTSA for rate increases were:

- Resins, mixed chemicals, plastic scrap and synthetic rubber. The carriers' group hopes to boost rates on those goods by \$100 per TEU, \$120 per FEU and \$6 per metric ton. Effective dates would be Jan. 1 for goods whose rates expire Dec. 31 and, in all cases, by Feb. 28.

- Forest products, except waste paper. The WTSA has set Jan. 1 as the target date for a rate boost of \$5 per metric ton.

- Beef exports to Korea. The WTSA has scheduled an increase of \$5 per metric ton for Jan. 11.

- Hay exports to Japan, Korea and Taiwan. The WTSA plans rate boosts equivalent to \$125 per FEU, starting April 1.

WTSA members also agreed on the need for a general rate increase Jan. 1 for all commodities not otherwise scheduled for a rate increase and not having rate-expiration dates after Dec. 31.

The general rate increase would be \$100 per TEU, \$120 per FEU and \$6 per metric ton.

Pierce said carriers were experiencing "pressure in terms of space availability" and that this could be expected to continue because of rises in cargo volumes.

WTSA members' vessels have been sailing 90 to 95 percent full, and the 6 to 7 percent growth in the trade is expected to absorb all the new capacity that is expected to come into the trade during 1995, he said.

"Many of the rates we are looking at in particular have not increased in some time, or else have fallen sharply as a result of competitive actions taken in recent months," he added. "In either case, they do not reflect market conditions or the level and basic value of the transportation service provided."

Indeed, one traffic executive told *American Shipper* his company is virtually captive to three TWRA-member lines because of their high levels of service.

"We do business with only three carriers: NYK, Sea-Land and APL," said George Hazzard, manager of international and water transportation for Monsanto Inc.

The rate increases that the WTSA plans for chemicals shipments would hurt that industry; U.S. exporters face fierce competition from European firms in the Asian markets, Hazzard explained.

The \$5-per-ton increase on beef exports to Korea will not hurt H. Shenson International as long as there are no additional rate increases during 1995, traffic manager Abbe Kantor said. Shenson, a San Francisco-based meat exporter, ships primarily with APL and Maersk, Kantor said.

A rate hike of \$5 per ton is negligible when figured by pound in a 40-foot container, she said. ■

Correction

A story in the November *American Shipper* (page 80) quoted a Port of Oakland spokesman as saying a cold-storage facility was being built in Long Beach for Australia-New Zealand Direct Line.

The facility is, in fact, being built for Konowike-Pacific, which is a totally separate entity, according to Jennifer Bronson, spokeswoman for both companies.

Whether ANZDL will use the facility has not been determined, Bronson said.

Does TACA deal with untariffed NVOs?

Rose International gives FMC a list.

By Tony Beargie

Trans-Atlantic Conference Agreement members have been accused of entering illegal service contracts with untariffed freight consolidators.

The allegation surfaced in a complaint filed with the Federal Maritime Commission by Rose International Inc., a Hoboken, N.J.-based non-vessel-operating common carrier.

It has been illegal since March 1990 for conferences or carriers to enter into service contracts with NVOs who do not have bonds or tariffs on file with FMC.

If the charges are proven, both TACA and the NVOs could face maximum fines of \$25,000 per violation.

Rose, which specializes in the consolidation of household goods and personal effects, furnished FMC with a list of 83 untariffed NVOs it contended are operating illegally in the U.S. foreign trades.

TACA will formally answer the charges when it files its reply with FMC on Dec. 12.

Rose International's Washington attorney, Carlos Rodriguez, told *American Shipper* he personally checked out the names of the firms the conference signed contracts with and found 81 that were not on the FMC's list of tariffed and bonded NVOs.

The named firms may claim that they are not NVOs and therefore are free from the FMC's tariff filing and bonding regulations. However, Rodriguez feels differently.

If the companies claim to be freight forwarders, this would give FMC new legal ground to break.

Both the commission and the International Association of Non-Vessel-Operating Common Carriers have tried for years to rein in untariffed NVOs.

Rose is also asking FMC to order TACA to pay damages to cover lost profits, lost business opportunities, lost use of money, interest costs and attorneys' fees.

The amount sought by Rose hasn't been specified. But the firm estimates that its monetary injury topped the \$500,000 mark in late October and was growing at a rate of at least \$50,000 per month.

Most of the named firms shipped their cargo (household goods and personal effects) with Rose between 1991 and December 1993. But this business came to a halt when the "unlawful" TAA contracts came into effect in January of this year, Rodriguez said.

By allowing these firms to enter into the illegal contracts, the conference set up a market environment that was designed to either eliminate or greatly reduce the participation of "qualified NVOCCs," Rose charged.

Rose also charged the shipper parties "fraudulently" certified to the conference that they were the beneficial owners of the cargo in question, and that TACA (then called the Trans-Atlantic Agreement) "knowingly and willfully" accepted the false certification.

When Rose signed its contract for 1,751 TEUs with the conference in early January, TAA required Rose to present copies of its tariff and bond information as proof of meeting NVO Shipping Act requirements.

But by allegedly contracting with untariffed NVOs, TACA gave an unfair

pricing advantage to unqualified firms that compete head-on with tariffed NVOs, Rose argued.

The contracts at issue were signed with the conference in January 1994. They include contracts with:

- A group of shippers known as Overseas Moving Network International for 1,000 TEUs. Of OMNI's 37 members, 29 are non-tariffed and non-bonded NVOs. Eight do not meet FMC requirements, Rose said.

- A group of shippers known as the Movers Trading Club and the Anglo American Removers Association to ship 1,500 TEUs from the U.S. to the United Kingdom. Fifty-two of the MTA and AARA shippers do not meet FMC's tariff filing and bonding requirements, Rose said.

- Shipper Carl Hartmann (GmbH & Co.) calling for a minimum shipment of 250 TEUs. This shipper is also non-bonded and non-tariffed, Rose said.

All conference carriers (as of January 1994) except Sea-Land Service were cited by Rose as taking part in the allegedly illegal service contracts. ■

\$250 fee to amend ANERA contracts

Group starts charging for shipper-requested revisions.

The carriers' rate-setting group covering most of the eastbound transpacific ocean trades plans to charge \$250 for shipper-requested amendments to service contracts, starting Dec. 1.

The Asia North America Eastbound Rate Agreement has received amendment requests in such unexpectedly high volume that they have come to represent a major expense item for the conference and for individual carriers, ANERA managing director Brian Conrad said.

Major independents in the transpacific trades often match the pricing policies of ANERA and other conferences, but whether they planned to do so in the case of the contract-amendment fee was not immediately known.

Hyundai Merchant Marine Co., a non-conference line based in Seoul, was weighing the issue in terms of how much service-pact revisions were costing the company and whether an amendment fee would be reasonable, said Bob Magna, sales and marketing director at the carrier's North American headquarters in Gardena, Calif.

A decision was likely to come before mid-November, Magna said.

ANERA covers all the eastbound transpacific trades except that from Japan.

Its members are American President Lines; Hapag-Lloyd; Kawasaki Kisen

Kaisha; Maersk Line; Mitsui O.S.K. Lines; Neptune Orient Lines; Nippon Yusen Kaisha Line; Orient Overseas Container Line; and Sea-Land Service.

The \$250 fee will be assessed each time ANERA files a revised contract with the Federal Maritime Commission.

In other words, if a single filing reflects amendments to two or more provisions of a contract, the total fee for that filing is \$250, conference spokesman Niels Erich explained.

Not all service-contract amendments will generate a charge by ANERA.

Contract amendments intended to correct obvious clerical errors on the part of ANERA or its tariff publishers will not be subject to the fee, Erich said.

In addition, there might not be a charge if the contract is amended at ANERA's behest; that will be determined on a case-by-case basis, he said.

FMC began permitting service contract amendments in 1993 to accommodate desires for flexibility in the contract structure in light of rapidly changing market conditions, Conrad said.

In that short span, however, no one anticipated the number of amendment requests that ANERA has received, not just during the March-May period, when most contracts are negotiated, but throughout the year, he said. ■



FMC OKs foreign flag on new APL ships

With subsidy reform at a dead end, the Maritime Administration has agreed to let American President Lines register six new ships under foreign flags.

Sea-Land Service, meanwhile, was pressing MarAd to act on several Sea-Land ship-reflagging applications that the agency has been sitting on since mid-1993.

The requests by APL and Sea-Land to put parts of their fleets under foreign flags came at the start of an unsuccessful campaign to persuade Congress to enact a new subsidy to replace the Operating Differential Subsidy, which will expire by 1997.

Although APL and Sea-Land say they'll try again next year, they want the flexibility to reflag part of their fleets as early as possible.

APL won permission to use foreign flags on six new ships being built in foreign yards (three in Germany and three in South Korea) for delivery between May and November of next year.

In allowing APL to put the new ships under foreign registries, MarAd imposed several restrictions:

- The new ships must be registered in one of five nations that permit U.S.-owned ships to be under effective control of the U.S.
- The ships must be enrolled in MarAd's Voluntary Sealift Agreement, which ensures their availability to the U.S. military if needed.
- APL must agree not to scrap or reflag any U.S.-flag ship covered by its existing subsidy contract before Oct. 1, 1996.
- APL must agree to transfer the new ships to U.S. registry if a new subsidy program similar to the one proposed this year is put into law.

Sea-Land, meanwhile, was pressing MarAd to act quickly on five ships now operating in foreign-to-foreign trades. The company is willing to wait longer for eight other ships that Sea-Land has asked to re-register.

FMC to raise fees on Jan. 1

The Federal Maritime Commission has approved a broad assortment of fee increases to take effect next year.

However, the commission agreed to allow carriers to pay only half of the new fees for filing tariffs and essential terms of service contracts with FMC's Automated Tariff Filing and Information (ATFI) system.

FMC said carriers would pay only 17 cents per filing object (instead of the 34 cents that had been proposed) for tariff filing, and \$1.64.5 per filing object for service contract terms (instead of the \$3.29 that had been proposed).

FMC said it would ask the Office of Management and Budget for permission to exempt carriers from having to pay the fees. Carriers have objected to the ATFI filing fees, arguing that the primary beneficiaries of tariff filing are shippers.

FMC said the increases in other fees are its first since 1983, and are needed to cover rising costs.

FMC rejects Transax effort to avoid ATFI fee

The Federal Maritime Commission has ruled that when automated tariff data is converted to paper form and then reconverted to electronic format, it's still subject to user fees.

Transax Systems, a major filer and retriever of electronic tariffs, had argued that data collected through such an arrangement shouldn't be subject to user fees.

Under the Davis Law, enacted two years ago, the FMC charges 46 cents a minute for retrieval of tariff data from the commission's Automated Tariff Filing and Information system (ATFI).

Tariff-retrieval services such as Transax have been developing their own databases from which users can retrieve tariff information without having to continually pay fees to FMC.

If the data is collected from non-FMC sources, such as shipping lines and conferences or through barter arrangements among tariff-filers, its secondary use is not subject to the user fee.

Transax, however, tried a different approach—retrieving ATFI tariffs and converting them to paper with what the FMC said was a plan to create a "mirror" system that would avoid Davis Law fees.

FMC's office of information resources management rejected the Transax plan. Transax appealed to the FMC, which affirmed its staff decision.

"Transax has identified no valid commercial reason for its wholesale conversion of data from ATFI tapes to paper format," the FMC said. "We can reasonably conclude, therefore, that the sole purpose of the practice is to avoid Davis Law fees ..."

Farrell OK'd for foreign-flag feeders

The Maritime Administration has approved a Farrell Lines request for permission to charter, operate or act as agent/broker for foreign-flag vessels between the U.S. Gulf and East coasts and the Black Sea.

MarAd approval was necessary because Farrell operates a subsidized U.S.-flag liner service between the U.S. East Coast and Mediterranean, with extension to Black Sea ports on foreign-flag vessels.

Farrell sought permission to operate general cargo ships with capacity of up to 12,000 deadweight tons and the ability to carry refrigerated and general cargo. Farrell asked for permission to operate 12 voyages a year; MarAd permitted six.

Lykes Lines, which operates U.S.-flag ships between the U.S. and the Mediterranean and Black seas, objected to Farrell's proposed service on grounds it would diminish Lykes's cargo base.

Lykes asked that the MarAd decision be reviewed by Transportation Secretary Federico Pena, whose department includes MarAd.

In approving the Farrell request, MarAd said most of the cargo that Lykes carries to the Black Sea is government preference cargo that is reserved for U.S.-flag ships and would not be eligible for carriage on the foreign-flag ships that Farrell would operate.

Florida ports establish conference agreement

Eight Florida port authorities have put together a conference agreement that would permit the ports to discuss rates and changes, rules and regulations, practices and other matters of mutual concern.

The agreement (224-200887), was filed with the Federal Maritime Commission.

Members of the Florida Ports Conference are Port Canaveral, Port Everglades, Jacksonville, Port Manatee, Miami, Panama City, Pensacola and Tampa.

Congressmen urge delay in OPA-90 deadline

Six congressmen have asked President Clinton to delay the Dec. 28 deadline for vessel owners to obtain certificates of financial responsibility for oil-spill liability.

In a letter, the congressmen said the requirement, imposed by the Oil Pollution Act of 1990, "may cause a serious disruption of our nation's oil supply ... Close to 75 percent of the crude oil and approximately two-thirds of the refined product imported into the United States in recent years was carried aboard independent vessels. If independent vessel owners cannot obtain certificates of financial responsibility from the Coast Guard because of unavail-

ability of affordable insurance, there will be a major shortfall in our oil supply."

The letter, from Rep. W.J. Tauzin, D-La., chairman of the Coast Guard subcommittee of the House Merchant Marine and Fisheries Committee, was co-signed by Reps. Jack Fields, D-Texas; Solomon Ortiz, D-Texas; Howard Coble, R-N.C.; Greg Laughlin, D-Texas, and Herbert Bateman, R-Va.

FMC investigates All Freight International

The Federal Maritime Commission is investigating whether two individuals, operating under the name All Freight International, have violated the 1984 Shipping Act by acting as an unlicensed ocean freight forwarder.

FMC said Shirley R. Knull and Frances E. Mincer have been doing business as All Freight International since 1991, and dispatched or handled more than 800 shipments of rags, waste materials and other goods in U.S. foreign commerce.

FMC said All Freight submitted invoices listing phony FMC freight forwarder and customs broker license numbers.

AAPA criticizes congressional inaction

The American Association of Port Authorities has criticized the failure of Congress to enact water resources legislation and implement the Uruguay round of the General Agreement on Tariffs and Trade.

The water resources bill was important to ports because of its impact on dredging. Although the House approved a Water Resources Development Act bill in September, the legislation was blocked in the Senate by concerns over floodplain management policies.

"Essential navigation dredging projects and procedural reform for ports around the nation were held hostage by an unrelated floodplain management issue," said Erik Stromberg, president of the AAPA.

"Congress's inability to take action on this critical bill underscores the reason why economically and environmentally justified dredging projects should be put on a separate track and subject to their own multiyear funding and authorization, like airports, highways and other transportation infrastructure," Stromberg said.

Unions to continue push for maritime subsidy

Five maritime unions have reaffirmed their intention to seek a new U.S.-flag subsidy program from the 104th Congress.

The unions are the Marine Engineers Beneficial Association District 1; the International Organization of Masters, Mates & Pilots; the American Maritime Officers; District 4 NMU/MEBA, and the Seafarers International Union.

In a letter to President Clinton, the union presidents warned that "if the U.S.-flag fleet is eliminated, the carriage of America's foreign trade will be placed totally at the mercy of foreign shipping interests — often linked directly to foreign companies that compete head-to-head with our own exports — and thousands of highly skilled American maritime jobs will be sent overseas as well."

The maritime unions are anxious to get a new subsidy program to replace the Operating Differential Subsidy program, which is scheduled to be phased out over the next three years.

11,646 U.S.-flag shipboard jobs, MarAd says

The privately operated U.S.-flag fleet has 8,807 oceangoing shipboard jobs as of Feb. 1, the Maritime Administration said.

Of that total, 1,763 jobs are on subsidized ships and 7,044 are on unsubsidized ships, MarAd said. The 8,807 jobs includes 4,295 on cargo ships, 3,870 on tankers and 642 on passengers and combination ships.

Government-operated ships, such as vessels operated by the Military Sealift Command, account for an additional 2,839 jobs,

for a total of 11,646 jobs on U.S.-flag ships, MarAd said.

The agency estimated the average employment of longshoremen, including clerks, checkers and allied crafts, at 22,306 as of Feb. 1 — 9,900 on the Atlantic coast, 4,000 on the Gulf coast, 8,156 on the Pacific and 250 on the Great Lakes.

Shipyards production employees in commercial shipyards as of November 1993 totaled 52,189, with 48,267 working on Navy projects, the same MarAd report said.

MSC slashes costs for transatlantic shipments

The Navy's Military Sealift Command has signed a service contract with Sea-Land for carriage of commissary cargo from the U.S. to the U.K. and Northern Europe at rates 32 percent below those of the current contract.

The one-year, \$9 million service contract extends from Dec. 1, 1994 to Nov. 30, 1995.

The commissary cargo will be shipped in dry and refrigerated containers. During the contract period, MSC will ship at least 2,600 dry containers and 1,300 refrigerated containers.

Separately, MSC accepted bids for an estimated \$11.2 million for shipment of 224,683 measurement tons cargo between the continental U.S. and Alaska during the next year.

MSC said the new line-haul rates are expected to produce savings of \$240,000 in comparison with current rates.

Companies from which rates were accepted are Alaska Cargo Transport, Alaska Marine Lines, Crowley Marine Services, Samson Tug & Barge, Sea-Land Service and Totem Ocean Trailer Express.

Hanjin, Tricontinental file space charter pact

Hanjin Shipping Co. and the partners in the Tricontinental service of DSR-Senator and Cho Yang have filed a proposed agreement allowing the parties to charter space from each other in the U.S./North Europe trade.

The agreement, filed with the Federal Maritime Commission, will allow Hanjin to carry out its previously announced plans to enter the transatlantic trade by chartering space from vessels operated by DSR-Senator and Cho Yang.

Stevedore sues Puerto Rico Ports Authority

A stevedore in San Juan has filed a Federal Maritime Commission complaint seeking \$1.5 million in damages from the Puerto Rico Ports Authority for alleged violations of the 1984 and 1916 shipping acts.

International Shipping Agency (Intership) claimed that the port authority had refused to allow it to expand at the Isla Grande terminal and in 1989 said Intership eventually would have to vacate Isla Grande and Pier 11 in Puerto de Tierra.

Intership said the port authority wanted to remove Intership to make room for a competitor, Antilles Shipping Corp.

Faced with eviction, Intership said it reluctantly accepted space at another site, the Army Terminal, and that it invested more than \$4 million in improvements there.

However, Intership said it has not been able to get full use of the Army Terminal because the port authority has allowed the terminal to be used by other companies, causing "substantial interference" with the stevedore's operations.

Avondale gets \$15.9 million loan guarantee

The Transportation Department has awarded a \$15.9-million federal loan guarantee to Avondale Shipyards of New Orleans to help finance an \$18.2-million modernization program.

The loan guarantee was the second under the program that the Clinton administration announced last year to help U.S. shipyards. The first will be used by a Greek shipping company to build as many as four product tankers at Newport News Shipbuilding in Virginia.

Carriers paid a price for TACA

Concessions made to shippers in order to satisfy FMC.

By Tony Beargie

Members of the embattled Trans-Atlantic Conference Agreement avoided a federal court showdown and a possible injunction when the Federal Maritime Commission allowed a watered-down version of the rate-setting agreement to go into effect Oct. 24.

But TACA carriers had to pay a price to win the right to stay alive in the transatlantic and agreed to a number of concessions demanded by the agency.

These include:

- Eliminating the conference's capacity regulation program.
- Removing TACA's 100-TEU or \$100,000 minimum volume or value threshold for service contracts.
- Reducing the conference's independent action window from five to three days.
- Loosening service contract practices by allowing carriers not participating in TACA contracts to unilaterally negotiate different rates with shippers during a 15-day window following the filing of the TACA contract.
- Reducing the number of conference members required to approve a service contract from a "majority-minus-two" formula to five favorable votes. The conference has 16 members.

FMC Scrutiny To Continue. The revised agreement will continue to be closely watched by the FMC just like its predecessor (the Trans-Atlantic Agreement). And the 'new' TACA will be rolled into the commission's ongoing investigation into the activities of the transatlantic carriers.

Just because the FMC allowed the agreement to go into effect "does not mean the commission intends to step back, pat itself on the back, and let the conference do as it pleases," commissioner Ming Hsu said.

If the FMC finds any serious problems at a later date, the agency will continue to be free to seek a court injunction against the

TACA carriers, Hsu warned. "TACA will be subject to the same continuous monitoring as its predecessor and, indeed, the conference is bound by the same rigorous reporting requirements."

The new TACA conference's potential to engage in anti-competitive behavior, "especially the possible reduction in the quality of service to shippers and non-vessel-operating common carriers," is now part of the FMC's wide-ranging fact-finding investigation, Hsu noted.

Shipper Gains. Shippers will benefit from the new, "more liberal" agreement, TACA's executive director Harold "Lucky" Holden said.

Aside from answering the FMC's concerns, TACA agreed to the changes after listening to shippers' concerns and requests, Holden said.

"Over the past two years, we realized we came on pretty aggressively," Holden told *American Shipper*.

Doing away with the conference's capacity regulation program should help shippers and over the long term, will not harm the carriers, Holden predicted. Previously, shippers "felt threatened" first by the capacity management program (under TAA) and later the capacity regulation program (under TACA), he said.

"Our aim was to recover one half of \$225 million, or \$112.5 million. This is on target." New year, "we will only have to recover a little less than \$112 million."

Harold "Lucky" Holden
TACA

Smaller shippers who could not meet the conference's minimum quantity requirements to win service contracts will benefit greatly under the new system, he said. "Now with the total elimination of the TEU requirement, if you had just one TEU a shipper could conceivably get a TACA service contract."

In 1993 the TEU minimum stood at 250. Earlier this year it was dropped to 200, and now it stands at zero.

The conference's ongoing program to recover more than \$450 million per year in losses continues to be on target, Holden said.

The 1993 program succeeded in recovering almost 50 percent of the \$450 million in lost revenues, Holden said, admitting that perhaps the conference's program was too aggressive for many shippers.

The 1994 recovery program is going well, he said. And the conference is enjoying an unanticipated cargo boost in the westbound transatlantic market, he added. "Our aim was to recover one half of \$225 million, or \$112.5 million. This is on target. And perhaps we'll do better because of the increase in westbound traffic."

This year's expected success will lift some of the pressures under the 1995 program. Next year, "we will only have to recover a little less than \$112 million," he said.

Shippers Not Impressed. Despite Holden's predictions that shippers will benefit under the new TACA regime, many U.S. shippers are not impressed by the changes.

"The changes do not go to the heart of the problem — TACA's 75 percent market share control of the trade," said Peter Gatti, policy director of the National Industrial Transportation (NIT) League.

"The structural changes do not guarantee shippers will be offered independent actions," Gatti told *American Shipper*.

Also, the modifications fail to place shippers on a "level playing field" with carriers when it comes to service contract negotiations, Gatti said.

He feels the changes were made in order to win FMC clearance of the TACA agreement.

So does Geoffrey Gionvanetti, managing director of the Wine and Spirits Shippers Association. "It's something they had in their briefcase to satisfy the FMC and the European Commission," Gionvanetti said.

Like Gatti, Gionvanetti does not hold much hope for any real benefits coming from the TACA changes.

"We still have the same structure, the same players and the same high market share," he said. "I see the same wolf. Maybe the sheep's clothing is different. It's the same animal. It looks like business as usual." ■

Life under TAA/TACA

Kuehne & Nagel, Global Shippers, Blue Diamond Growers, Audnel America, others take FMC into the real world of arranging transportation in the North Atlantic during the days of TAA.

By Tony Beargie

Unlike many shippers and consolidators, Juerge Bandle of Kuehne & Nagel says he appreciates the stability created by a sound transatlantic carrier conference.

But as a large non-vessel-operating common carrier, Kuehne & Nagel opposes the Trans-Atlantic Conference Agreement's recent decision to abolish minimum-volume requirements for TACA service contracts.

Allowing smaller shippers to get rates equal to those offering larger volumes could undermine the service contract system and the stability that transatlantic carriers are trying to achieve, Bandle said.

Bandle, senior vice president of Kuehne & Nagel, was among witnesses at a recent Washington hearing held as part of the Federal Maritime Commission's fact-finding investigation of TACA and its predecessor, the Trans-Atlantic Agreement.

While the general tone of testimony by shippers and NVOs was critical of TACA and TAA, Bandle had a few good things to say.

"As a large (NVO) operator, we prefer a stabilized market environment created by the TAA," Bandle said. "Also, all of us,

shippers and forwarders alike, have to be able to rely on efficient and reliable services provided by financially sound carriers. Many of us in business have seen carriers come and go and when vessels are arrested and bankruptcies occur, we all scramble to collect our cargoes. Often this involves substantial additional costs and lost customers."

Citing the carriers' huge losses before TAA was formed two years ago, Bandle said it was "understandable" that the carriers had to use TAA to raise rates. "We cannot expect the shipping lines to subsidize our exports and imports," he told *American Shipper*.

Service Contract Minimums. But Bandle criticized TACA's decision to eliminate the minimum volume that a shipper must offer the conference to obtain a the lower rates of a service contract.

TAA originally set that minimum volume at 250 twenty-foot-equivalent units, later reduced to 200. Kuehne & Nagel opposed TACA's decision last summer to lower the annual minimum to 100 TEU, and is even more opposed to wiping out the requirement.

Bandle said removing the minimum could hurt Kuehne & Nagel, which controls the movement of large volumes of containers, if TAA offers similar rates to low-volume shippers.

Since its beginning, TACA-TAA has struggled with the issue of NVOs. Some carriers rely on NVOs as sales forces and are willing to give them a piece of the action in return for supplying cargo. But carriers that maintain extensive sales forces tend to see NVOs as unnecessary middlemen that threaten to turn carriers into wholesalers of transportation.

Could TACA's removal of the volume minimums be a way for the conference to compete with NVOs?

Bandle told FMC investigator Charles Haslup that shippers look at the total transportation picture. "They are very interested in one-stop shopping." Many companies are downsizing, and many would rather deal with NVOs to arrange their door-to-door movements, Bandle said.

Kuehne & Nagel does not like to see

Kuehne & Nagel opposes the decision to abolish minimum-volume requirements for TACA service contracts.

carriers offer lower rates to beneficial cargo owners that move smaller volumes than a big NVO, Bandle said.

"The NVO discount for those committing large volumes should be higher," Bandle said. "It is common practice in any business to allow for higher discounts subject to the purchase of correspondingly higher volumes. Why not in shipping? All those calling for so-called 'even playing fields' are the first ones to ask for volume discounts when purchasing their stationery items."

Via Montreal. Bandle said he was aware of reports that TACA-TAA has tried to restrict use of service contracts by NVOs, but indicated that Kuehne & Nagel has had little trouble securing such contracts.

Approximately 75 percent of the firm's cargoes move on Polish Ocean Lines, DSR-Senator, and Mediterranean Shipping Co., all former independent carriers.

Most Kuehne & Nagel shipments move under full-container-load service contracts, which Bandle said are offered only by formerly independent lines such as POL, DSR-Senator and Med Shipping.

K&N pioneered the drive to win FCL service contracts for NVOs, Bandle noted. Just five years ago, there were no such contracts available to freight consolidators, he said.

The "structured" conference carriers still refuse to offer FCL contracts because they "feel they have the right and the wherewithal" to get their own FCL business, he said. However, some of these carriers have lost business to the non-structured lines, he said.

NVO Sales. Pointing out that Kuehne & Nagel has a \$5 million annual budget for sales and marketing, Bandle suggested that carriers "may be better off if they allow us to market their business."

Bandle said little has changed in dealing with the former independents since they have joined the conference. He said, though, that volumes have been affected by market changes.

For example, on eastbound movements the volume dropped in 1993 (under TAA) compared with 1992, but Bandle attributed this primarily to the business recession in Europe. On the other hand, westbound volumes increased substantially in 1993 and into 1994, he said. Westbound shippers have run into problems finding space with non-conference carriers, Bandle noted. "This helps the conference."

K&N has not asked TACA-TAA lines to divert from conference rates by taking independent action. He said there may always be a need for such rates, but that Kuehne &

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Nagel concentrates on service contracts with the non-structured carriers.

And he said 10 percent of the more than 20,000 TEUs that K&N ships annually are routed through Montreal.

Global Shippers Assn. Another entity that controls a large volume of transatlantic traffic, the Global Shippers Association, complained that TACA has been reluctant to commit to a service contract.

The association, a group of heavyweight shippers led by General Electric, failed to win a service contract or independent action rates from TAA last year but was trying again during the current contract negotiating season.

Charles Faust, president of the association and vice president of logistics and transportation for General Electric, said the association does have service contracts with TAA member Orient Overseas Container Line and independent Evergreen Line, via Montreal.

Some 2,400 TEUs a year are shipped under OOCL's contract, while Evergreen will move 500 TEUs in 1994, Faust said.

The association tried to talk individually with TACA members about a 1995 contract, but had to conduct most of the talks with the conference's administrator, Harold

Carriers that maintain extensive sales forces tend to see NVOs as unnecessary middlemen.

L. Holden. "We expected a more open discussion," Faust said.

Global is ready to commit 19,000 TEUs in the North Atlantic for the 1995 shipping season, Faust said.

In other trades the association succeeded in getting service contracts that produced "win-win" results for carriers and shippers, Faust said. "These are partnership agreements. This atmosphere does not exist in the transatlantic."

GSA requests for independent action rates were turned down by TAA last year and this year. "The independent action issue is not alive within TAA," Faust said.

Sea-Land 'By Default.' Jilian Morley, transportation manager of the Blue Diamond Growers, said she sensed trouble in the early summer of 1992, shortly before the TAA was officially announced, and that

her worst expectations were realized.

"The behavior of the carriers was strange," Morley said. "As the summer wore on, it became obvious that TAA was coming."

By the end of August 1992 the ocean carriers made it clear "they were to follow the spirit of TAA," she said. Around the same time, the carriers informed Blue Diamond that rates would go up and there would be no service contracts. "My impression was that TAA was already in operation," Morley said.

During the September 1992/August, 1993 shipping year, Sea-Land won most of Blue Diamond's cargo "by default" because the California-based almond shippers cooperative felt "there was no reason to reward" other transatlantic carriers, Morley said.

"Sea-Land had no history with us so they got our business by default," she said.

There were no rate savings for Blue Diamond, because Sea-Land moved the cargo at standard TAA tariff rates, Morley said. Then why did Blue Diamond pick Sea-Land? "Because we didn't want to give our business to anyone else," Morley said.

Later in the questioning, Morley pointed to Sea-Land's service advantages as figuring into the decision. "I was dependent on Sea-Land's weekly sailings and faster trans-

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it time," she said.

Blue Diamond won its first contract with the conference in September 1993. Again, Sea-Land won most of the cargo "because they convinced us they tried to support us as much as possible during the formation of TAA," Morley said. "Those who do the work to get us a good arrangement deserve our business."

Blue Diamond moved approximately 1,100 TEUs under this contract.

This year, after long negotiations, Blue Diamond settled for a 1,000-TEU contract, rather than a 3,000-TEU contract it had requested. The contract's rate discount, in the \$40-50 range, was too small to warrant a 3,000-TEU commitment, Morley said. Blue Diamond was seeking a discount in the \$250-\$300 range.

Split Drayage Costs. In February of this year, Blue Diamond accepted an offer from Sea-Land for a neutral container arrangement, under which Sea-Land and Blue Diamond split drayage costs on a 50-50 basis.

Then, everyone in the conference followed Sea-Land's lead this spring. But Blue Diamond stayed with Sea-Land.

"They were first. Someone who copies

***Global is ready to commit
19,000 TEUs in the North
Atlantic for the 1995
shipping season.***

does not impress me," Morley said. "It was all rather humorous, because they really hated" offering neutral container pools.

The arrangement was short-lived, for in June the TAA ended it. Morley said Sea-Land told her TAA stopped the practice because it was spreading too much in the conference.

Were rebates being paid? Morley said she had no hard evidence. In TAA, "they were all pointing their fingers at each other," she said.

"Endless discussions" with TAA carriers for independent action rates produced nothing for Blue Diamond, Morley said. "We were told there was a collusion agreement among TAA carriers not to grant independent action."

Before TAA came on the scene, all carriers are one time or another granted independent action rates, she noted.

Audnel. Another witness, James E. Yokeley Sr. of Audnel America International, said TAA rate increases played a major role in the NVO's demise last April.

The firm lost so much money under the TAA regime — approximately \$350,000 — that the Wachovia Bank of North Carolina closed down a \$500,000 line of credit and seized the firm's assets, said Yokeley, who was Audnel's president.

Yokeley's battle with the bank is now being fought in a Charlotte court, he said.

FMC investigator Haslup wanted to know why Audnel's court suit never mentioned TAA as a reason for Audnel's business failure. Yokeley said he did not single out TAA because of the conference's antitrust immunity and the ongoing FMC investigation into TAA practices.

Yokeley said Audnel was doing fine in 1992 when it moved cargo under service contracts with two independents, Mediterranean Shipping and Cho Yang. The firm moved some 3,000 TEUs in 1992, 2,500 of them in full container loads.

The Med Shipping contract was "the best," Yokeley said, noting he received a rate of \$1,340 per 40-foot container. In 1993, under TAA the rates almost doubled, to \$2,435, Yokeley said.

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TAA's rate hikes "just overwhelmed us," he said.

The TAA contract also contained a number of exclusions which cut the firm's 1993 volume, Yokeley said. A number of computer and lumber accounts were lost. "We just couldn't afford to compete anymore," he said.

By 1993, "TAA was the only game in town," Yokeley said. "There were no other alternatives."

The conference's 1994 TAA contract "depressed our profit margins" by narrowing the spread between contract rates the

NVO paid the carriers and the tariff rates that were charged customers, Yokeley said. "They were really narrowing the opportunity for NVOs to profit."

Yokeley advised the TAA's Holden of the situation. Holden replied with "a nice, polite letter, but nothing happened," he said.

In the end, Yokeley's firm signed a 1994 contract with TAA. "We had no choice. It was a 'take it or leave it' situation," he said.

The company's costs increased by \$300,000 to \$400,000, according to Yokeley. "It was like a tidal wave hitting us."

Yokeley took a number of steps to cut his

own costs. He reduced his staff and cut telephone and fax costs. He also opened up offices in Norfolk and Baltimore in an attempt to win new business. "We did all we could to generate new business. But TAA literally put us out of business," he said.

Beverage Shippers. Rates covering beverage shipments from Europe to the U.S. rose dramatically in 1993 under TAA said Case Pieterman, executive director of the North American Shippers Association and vice president of the Universal Shippers Association.

Universal was formed in 1991 in anticipation of the impending debut of TAA.

In 1993 rates for a 20-foot container of Scotch whiskey moving from Scotland to the U.S. Atlantic increased by 18 percent. For a 40-footer, the rates went up by 26 percent, according to Pieterman.

The rate hikes in part resulted from a newly introduced Delivered In Charge cost of \$180 per TEU and \$263 per FEU. Pieterman said. "There was never a plausible explanation on the part of the carriers of what this charge was for."

Shipments of wine and cognac from France also increased. Cognac rates to the U.S. Atlantic shot up 30 percent per TEU and 9 percent per FEU. Bordeaux wine rates increased 49 percent per TEU to the U.S. Pacific and 30 percent per FEU.

"TAA unreasonably increased transportation costs by reducing competition in the transatlantic trades," Pieterman said.

Before TAA, the shippers associations and the carriers mutually agreed to cancel contracts at the end of their term. However, under TAA, the conference alone could cancel contracts after they expire.

Pieterman also complained of TAA's one-year limit on service contracts.

During the 1994 negotiations it became clear TAA "was giving preferential treatment to proprietary shippers. "Not only were we told that we needed to commit 10,000 TEUs, but that we would not get the rate levels offered to another large proprietary shipper with the same commitment," he said.

TAA also created service problems because OOCL and POL withdrew their vessels from the North Atlantic and increased vessel sharing activity among TAA members, Pieterman said.

Also TAA carriers have missed calls at the port of Boston, "either forced by weather or by design." Many New England shippers fear Boston calls may be terminated by TAA, he said.

Pieterman also attributed the loss of service contracts with three formerly independent carriers — OOCL, Cho Yang, and DSR/Senator — to the TAA.

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NIT League vs. FMC

Battle lines are drawn as Ed Emmett declares start of "real live war."

By Tony Beargie

"We are at the beginning of a war. A real live war."

Those were the words National Industrial Transportation (NIT) League president Ed Emmett chose to describe how he feels about the Federal Maritime Commission, the liner conference system, and major provisions of the 1984 Shipping Act.

Emmett said his "war" has already begun. But the big battles will be fought next year with conferences and the FMC when the new Congress gets down to work, the NIT League president promised.

NIT League's deregulatory program was to be officially released after its annual meeting in San Antonio.

Emmett wants to kill the long-established liner conference system and tariff and service contract filing at the FMC. This would gut the current ocean transportation regulatory regime embodied in the 1984 Shipping Act and kill the FMC, leaving the U.S. foreign trades unregulated.

Emmett issued his call to arms when he returned from Brussels, where NIT League signed a first-ever joint shipper declaration with the European and Japanese shippers' councils in Brussels. (See related story, this issue.)

It also followed a testy NIT League letter lambasting the FMC's handling of the Trans-Atlantic Conference Agreement. (See related story, this issue.)

To soften the blow, Emmett offered the FMC a chance to work with NIT League to bring about a new, deregulated ocean shipping environment. "I have not given up on the FMC — yet," Emmett said, adding that he hopes the three newest members on the commission will see things his way.

Emmett criticized the FMC for "still holding on to a common carrier, public utility regulatory system which doesn't make any sense in today's world."

"We will try to do everything we can to bring the FMC into the 20th Century," Emmett said.

Should the FMC refuse to follow Emmett's marching orders — and it will — then "we will have to question the existence of the FMC," he said.

But ultimately, Emmett is confident shippers will win their battle with or without the backing of the FMC.

Hathaway Rejects Offer. If Emmett is counting on the commission to be his Capitol Hill water boy, he better think twice.

FMC chairman William D. Hathaway, who also had just returned from Europe, rejected a joint NIT League-FMC lobbying effort.

"He wants drastic changes. We are not going to Congress. He wants us to do his job for him. This is not our job," the FMC chairman said in an interview with *American Shipper*.

Hathaway feels it is "naive" of Emmett to expect the FMC to get in the middle of shipper-carrier camps "just to carry water for NIT League." The FMC chairman said he would follow the same policy if his

Shippers and carriers will have separate areas of agreement and areas where "we will never agree."



Ed Emmett

agency were requested to go forward by the carrier community. "We would not get in the middle here, either."

Hathaway tried to respond diplomatically to Emmett, "I don't think it serves anyone's purpose to get angry with us ... especially in his (Emmett's) case because when the FMC got TACA to make major changes in the agreement, shippers benefited," the FMC chairman said.

Elimination of the conference's capacity management program, the elimination of minimum service contract volumes, and the other TACA changes "are all of the things NIT League wanted," Hathaway said. "Now, they (NIT League) turn around and say these things are only procedural. They weren't procedural when they asked for the changes. These are major changes. NIT League should be thanking us."

"Disastrous." If NIT League wins a deregulation program next year on Congress, it would be "disastrous" for both shippers and carriers, Hathaway said.

"Cut-throat competition" would ravage all of the world's trade lanes, Hathaway predicted.

Rates would drop at first and many of the smaller carriers who provide a competitive choice to shippers would go out of business, the FMC chairman said.

"The big carriers would buyout the smaller carriers, and rates would then go up."

A totally deregulated environment would also bring on discrimination by the large carriers in both the rate and service areas, Hathaway warned. "They could charge one shipper a low rate, and another shipper double, or whatever they want." The surviving carriers could also refuse to take

shipper cargoes. This would be especially harmful to smaller shippers and shippers of low-valued cargo, he added.

Antitrust violations would run rampant, Hathaway predicted because "it would be almost impossible for the U.S. to enforce our antitrust laws throughout the world."

"Other nations would put up blocking statutes making it almost impossible to go after illegalities, such as collusion between carriers or between carriers and governments.

"It would be difficult for our Justice Department to police the whole world," the FMC chairman said.

Emmett Recalls Texas Battle. Meanwhile, Emmett said the FMC's approach to liner shipping reminds him of the days when he served in the Texas Legislature when UPS wanted to provide intrastate service in the Lone Star State.

UPS was denied entry by the Texas Railroad Commission because UPS did not operate on a fixed route. The commission held that it had no authority to let UPS in. But the Texas Supreme Court rejected this argument, and ultimately UPS was allowed to operate there.

"This is the same feeling I got from talking with Hathaway," Emmett said, adding that the FMC is holding on to outdated policies.

Emmett attributed the League's aggressiveness to the TAA. "The TAA drove us into this kind of activity," he said.

Emmett hopes to give carriers a chance to air their views with him. He hopes to meet with the carrier community and "perhaps even with the (maritime) unions" after NIT League's policy is formally announced.

Shippers and carriers will have separate areas of agreement and areas where "we will never agree," Emmett said.

Emmett wants to develop the same kind of seamless transportation system now in place on land in the world's sea lanes. The system "is working well on land, but on sea we have to go back to the dark ages," he said.

Asked if the FMC would be derailed by NIT League's program, Emmett shrugged as if to say "so what."

"It is not our business to justify the existence of a government agency," he said, adding that perhaps the FMC could be merged with the Interstate Commerce Commission.

Emmett insists it is unfair to characterize NIT League's program as one of total deregulation.

The U.S. will continue to need safety regulations and "perhaps" some liability regulations, Emmett said. ■

Limited roles for government

Wigen tells CLM that shippers need protection in foreign markets and when mergers occur.

By Bruce Vail

The development of efficient transportation and logistics goes hand in hand with government deregulation of commerce and industry, according to Roger Wigen, manager of transportation policy and shipment control at 3M Co.

Successful deregulation of freight rates on railroads and for trucking companies needs to be followed up with similar efforts in maritime shipping, Wigen told an audience at the annual meeting of the Council of Logistics Management. Equally important is loosening government controls on things like truck weights/lengths and selected environmental regulations, he said.

Wigen, who also serves as chairman of the National Industrial Transportation League, said these would be the most important transportation issues in the latter half of the 1990s. Strictly commercial issues will be heavily influenced by what happens in the regulatory sphere, he said.

Maritime Issues. Consistent with the policies he is helping to form at the NIT League, Wigen said activities of the Federal Maritime Commission should be curtailed in the same fashion as those at the Interstate Commerce Commission.

Earlier this year the ICC had its operating budget cut and a requirement that contracts between shippers and carriers be filed at the agency was eliminated. "I would like to see what happened to the ICC happen to the FMC," he said.

Wigen went on to say that ICC and FMC were similar in that both performed some useful functions but that most of their activities were unnecessary.

ICC's oversight of rail mergers was important, as were certain safety issues. FMC's power to coerce foreign countries into granting U.S.-flag carriers fair treatment in foreign markets was good for U.S. shippers. But in both cases, tariff-filing requirements and shipper-carrier contract filing requirements are contrary to shipper interests, he said.

"I don't think the ICC will last into the next century. ... The next agency whose days are numbered is the FMC," he predicted.

He added that ICC and FMC could be done away with by transferring its limited useful duties to other government entities.

Favors Ship Subsidies. Wigen said he was strongly in favor of supporting U.S.-flag carriers with government subsidies.

American shippers benefit from the continued existence of a U.S.-flag fleet, he said, but so do all segments of the U.S. population. The national defense features of the U.S. fleet are its most meaningful benefit and any attention to subsidies should be focused in that area, according to Wigen.

Because of this defense feature, any special tax on business to fund a subsidy program is wrong, Wigen said. Subsidies to U.S. shipping companies should be paid through

general revenues to the government and administered by the Pentagon, he said.

Even though government deregulation of freight rates is almost complete, trucking issues are still on the minds of shippers.

The question now, according to Wigen, is whether regulation of vehicle weights and lengths will impair shippers in their efforts to improve efficiency and employ the principles that are CLM's focus.

"We may have to allow longer and heavier trucks" to best address issues like driver shortages, highway congestion and air pollution from freight hauling vehicles, he said.

This truck size issue has been misunderstood by the public at large, added Donald Schneider, president of Schneider National, one of the nation's largest trucking companies. Schneider joined Wigen in addressing a group at CLM's annual meeting.

"There is an inverse relationship between vehicle size and weight and fatalities" on the highway, Schneider said. The longer, heavier vehicles are safer and provide more efficient transportation to shippers, he said. Once these bigger trucks are more widely accepted, shippers (and the public) will benefit from lower freight rates and improved safety, he claimed.

Vehicle size is directly related to environmental regulation because fewer trucks means less fuel burned, fewer tires worn out by truck use, and similar transportation efficiencies, according to Schneider. ■

"I would like to see what happened to the ICC happen to the FMC."

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Losing credibility at FMC

NIT League angers agency officials with criticism of commission's handling of TACA.

By Tony Beargie

The deteriorating relationship between shippers and the Federal Maritime Commission has apparently slipped to an all-time low.

A letter fired off to FMC commissioners by National Industrial Transportation (NIT) League president Edward M. Emmett complained about the agency's handling of the Trans-Atlantic Conference Agreement.

The NIT League president accused the FMC of rushing the TACA revisions through without giving shippers a chance to comment; holding secret meetings with TACA carrier representatives; and, creating "public doubts about basic fairness."

Emmett slammed the commission for allowing the revised TACA agreement to go into effect Oct. 24 without going through an additional 45-day comment period.

He also accused the commission of holding "closed-door negotiations" with TACA officials over changes "which would be acceptable to the commission."

Emmett admitted agency rules allow the FMC to meet with conference representatives. However, he charged that these talks (which he calls "negotiations") create "the appearance that the commission is only interested in the carrier's point of view."

The TACA changes will not ensure that the conference's anticompetitive actions will disappear, Emmett said. "In essence, the changes ... appear (to be) generally procedural and not substantive."

"Since the collective marketing strength of the TAA creates a virtual cartel in the transatlantic shipping trades, the changes cannot guarantee that the carriers will offer independent action to create more competitive pricing, establish reasonable rates for their services, or negotiate fairly," Emmett concluded. "Hence, the League believes the commission unwisely has decided to place upon itself an extremely difficult and heavy obligation to continuously monitor TACA carefully in order to protect the vital interests of the United States shipping community. This situation could have been avoided if the commission had paid attention to the actual customers of the carriers."

FMC Officials Fight Back. Emmett's charges were immediately rebutted by FMC

officials, both publicly and privately.

Commissioner Ming Hsu, who has taken on a high-profile drive to reach out to shippers throughout the country, was not pleased.

"More letters like this could lead to shippers losing their credibility with the FMC, which would be very unfortunate," Hsu told *American Shipper*.

"Instead of shooting arrows at us, they should have a real dialogue with us," Hsu said. "I don't think this is a productive way to establish a better working relationship with the commission."

"They have no grounds to complain. They (NIT League) are smart people. They have smart lawyers and they know there are legal impediments to doing what they called for," she said. For example, restarting the 45-day cycle which would have provided for a comment period would have required a court ruling, she noted.

"The NIT League charges are absolutely unfair. I question the good faith of this letter," she said.

"The very fact we asked for changes in the TACA agreement shows we *are* concerned over shipper interests. We are *very* concerned," Hsu said.

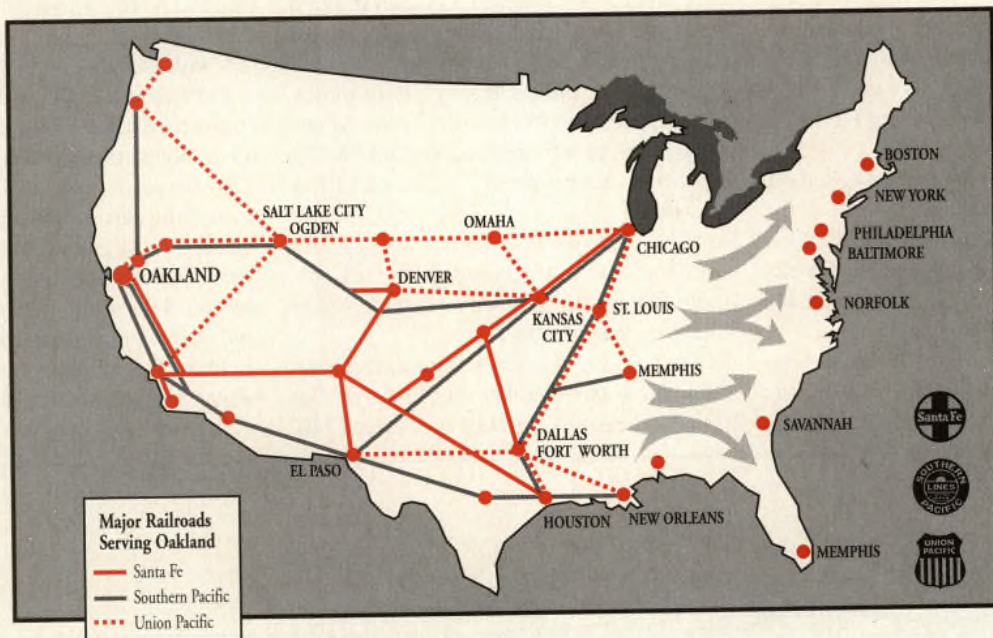
She also noted that the FMC decided to include the TACA agreement in the agency's wide ranging Fact Finding 21 investigation, and that the agency will be monitoring the new agreement "like we did with the TAA."

FMC's general counsel Robert D. Bourgoin said there was no way the FMC could legally add on another 45-day period.

He also took issue with NIT League's characterization of FMC's "approval" of the TACA agreement. The FMC decided to let the agreement go into effect, Bourgoin said. "The FMC does not approve agreements. The FMC has not approved any agreements since 1984."

And, the law does not provide for bringing third parties like NIT League in on the talks the FMC had with the TAA officials, Bourgoin said. The law makes it clear that any information relating to agreements is to be treated confidentially by the commission, he added. "Therefore there is no way a third party could be involved in the discussions without violating the law," the FMC general counsel said. ■

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PORT OF OAKLAND

FMC probes space-sharing terms

"You may charter space on my ship to build your business, but you must accept my rules, and once your business is big enough to stand on its own two feet, you cannot walk away from our agreement and become a competitor."

By Tony Beargie

You cannot find those exact words in the Vessel Sharing Agreement signed by Sea-Land Service, P&O Containers and Nedlloyd in March 1988. You cannot find them in agreements the three-member VSA Group signed with Maersk and OOCL in February 1993.

But the restrictions are there, spelled out in fancy legal language.

A staff economist at the Federal Maritime Commission now claims the restrictions may be a technical violation of the Shipping Act of 1984.

The terms, according to Karen V. Gregory, an industry economist with the commission's bureau of trade monitoring

and analysis, restrict the right of Maersk, OOCL and any other signatory to join or quit the transatlantic conference any time they wish and violate the concept of open conferences which is fundamental to the American law.

But Stanley Sher, a Washington attorney who is special counsel for the Trans-Atlantic Conference Agreement during the FMC's current investigation of TACA, said it's a non-issue.

"These agreements do not contain any anticompetitive effects and in fact they promote efficiency and enhance service," Sher told *American Shipper*.

The question of space-sharing agreements came up in late October during a five-day round of hearings, part of a series that FMC

staffers have conducted in the commission's investigation of TACA and its predecessor the Trans-Atlantic Agreement.


VSA Rules. FMC investigators noted the complex web of space-sharing agreements in the transatlantic trade and homed in on the Vessel-Sharing Agreement of Sea-Land P&O and Nedlloyd.

Since the VSA was established in 1988, it has been amended to allow space to be chartered to Maersk and Orient Overseas Container Line.

FMC investigators pointed out that the VSA requires membership in the conference and participation in the conference's rate and contract committees, and imposes restrictions on carriers seeking to cut their ties with the VSA.

For example, OOCL, once a strong non-conference transatlantic carrier, had to give up its independence in order to use space on VSA vessels.

And if a carrier wants to quit using VSA space, it must give six months' irrevocable notice and cease operations in the trade by the end of the six months. Any withdrawing line also is prohibited from re-entering the trade for five years from the effective date of their withdrawal or until March 28, 2001, whichever is earlier.



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Withdrawing carriers also are required to provide remaining VSA members with their customer lists and to recommend the VSA carriers to their customers.

Sher said the exit conditions contained in some of the space-sharing agreements are not unusual.

"Commitments to stay in VSAs are very normal," he said. "Both parties make significant business commitments. These long-term commitments are normal and should be expected."

FMC Economist. In her testimony, Gregory painted a picture of a domineering and highly-disciplined transatlantic conference, and raised questions about relationships between the conference and various space-sharing agreements.

When OOCL began using VSA space, it and Polish Ocean Lines joined the Trans-Atlantic Agreement and removed all of their vessels from the trade, effectively reducing capacity, Gregory noted.

"This ... aligns OOCL's pricing with that of the VSA group and Maersk, thereby reducing competition among these carriers," she said. "Reduced competition among these carriers would also represent a reduction in intra-conference competition within TAA."

And although the 1984 Shipping Act

"One reason we want this in the record is the complexity of intra-carrier relationships."

requires open conferences, "both the nature of all VSAs and the construction of particular VSAs would apparently constrain TAA carriers from quickly and easily exiting TAA in order to operate as independent competitors," Gregory said. "In fact, the exit constraints ... prevent any withdrawing party from subsequently competing in the trade."

She said that "can have serious implications for the transatlantic trade since these same carriers are also members of TAA."

142 Agreements On File. The number of space-sharing agreements on file with the FMC for all trades has increased from 76 in 1990 to 142 today, Gregory said.

Most space-sharing agreements in the transatlantic are between or among conference carriers, Gregory said. There are no such agreements between transatlantic independents and TACA carriers, she said.

"This is not unexpected given the differences between conference and independent carrier pricing schemes," Gregory said. "Currently, all TAA carriers participate in VSAs of various types."

"One reason we want this in the record is the complexity of intra-carrier relationships," an FMC official said, adding that the commission wanted to give the conference a chance to correct any misinformation.

TACA officials were expected to testify in mid-November at the last scheduled round of hearings on the TAA/TACA investigation.

If the commission finds any wrongdoing, the agency could directly challenge the restrictions contained in the space-sharing agreements.

"The FMC could knock out what the carriers are doing indirectly but ... cannot do directly under the conference agreement," *American Shipper* was told.

This would not be rolled into the TAA/TACA fact-finding investigation. It would require a separate FMC investigation.

Another option would be to join VSA and TACA issues under a Section 6 (g) proceeding. Section 6(g) of the 1984 act authorizes the commission to act against anticompetitive carrier agreements. ■



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Shared vessels

Every major U.S. Atlantic and Gulf containerport has at least weekly conference service to North Europe. Boston, New York, Baltimore, Norfolk, Charleston, Miami, New Orleans and Houston have weekly independent service.

By Joseph Bonney

You can look at ship cards and sailing schedules for a week and never get an idea of the range of service available to shippers between North America and North Europe.

The usual sources of information con-

vey the image of a mammoth fleet of ships (many listed by non-vessel-operating common carriers) going back and forth. The picture is further confused by the fact that different operators will show the same ship in different locations at the same time.

Add the constant talk of load-center ports

and the cacophony of shipper complaints about inadequate service, and it's easy to come away with the impression that shippers have pitifully few options for routing their cargo.

It's true that containerships are getting bigger and that carriers are trying to consolidate port calls to realize economies of scale, keep rates low and get the best return from expensive capital investments.

But during the last decade, something else has been going on.

Since the 1984 Shipping Act cleared the way for rationalization of carrier services, containership operators have developed a web of slot charters, joint services and vessel sharing agreements.

Untangling this web of intercarrier agreements is a complicated business, but the net result is this: Every major North American container port on the Atlantic and Gulf coasts has at least one ship a week sailing directly to and from North Europe, and some ports have considerably greater frequency — eight or more ships a week in the case of New York/New Jersey.

Transatlantic container service from North Atlantic ports

North American Ports**	Frequency	European Ports Called**
Halifax		
ACL/HL/MSC/POL	Weekly	Le Havre, Rotterdam, Bremerhaven, Antwerp
HL/NYK/NOL/ACL	Weekly	Antwerp, Bremerhaven, Rotterdam, Thamesport
*ABC	14 days	Liverpool, Antwerp, Rotterdam, Hamburg
Boston		
S-L/P&O/NED/OOCL/MAERSK	Weekly	Bremerhaven, Felixstowe, Rotterdam, Le Havre
ACL/MSC/POL	Weekly	Antwerp, Bremen, Hamburg, Felixstowe, Le Havre
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
New York/New Jersey		
S-L/P&O/NED/OOCL/MAERSK	3x Weekly	Bremerhaven, Felixstowe, Rotterdam, Le Havre
ACL/HL/MSC/POL	Weekly	Liverpool, Le Havre, Rotterdam, Bremerhaven, Gothenburg, Antwerp
ACL/MSC/POL	Weekly	Antwerp, Bremerhaven, Rotterdam, Le Havre
HL/ACL/NYK/NOL	Weekly	Antwerp, Bremerhaven, Rotterdam, Thamesport
DSR-SEN/CY	Weekly	Le Havre, Rotterdam, Bremerhaven, Hamburg, Felixstowe, Antwerp
*EVERGREEN	Weekly	Hamburg, Thamesport, Le Havre, Antwerp, Rotterdam
*LYKES	14 days	Antwerp, Bremerhaven, Felixstowe, Le Havre
Philadelphia/Chester, Pa.		
*ABC	14 days	Liverpool, Antwerp, Rotterdam, Hamburg
*INDEPENDENT	9 days	Antwerp
Baltimore		
ACL/HL/MSC/POL	Weekly	Bremerhaven, Felixstowe, Rotterdam, Le Havre
ACL/MSC/POL	Weekly	Antwerp, Hamburg, Bremerhaven, Le Havre
*EVERGREEN	Weekly	Hamburg, Thamesport, Le Havre, Antwerp, Rotterdam
*LYKES	14 days	Antwerp, Bremerhaven, Felixstowe, Le Havre
Richmond		
*INDEPENDENT	9 days	Antwerp
Hampton Roads		
S-L/P&O/NED/OOCL/MAERSK	Weekly	Bremerhaven, Felixstowe, Rotterdam, Le Havre
ACL/HL/MSC/POL	Weekly	Le Havre, Rotterdam, Bremerhaven, Antwerp
MSC/POL/ACL	Weekly	Antwerp, Bremerhaven, Hamburg, Felixstowe, Le Havre
HL/ACL/NYK/NOL	Weekly	Antwerp, Bremerhaven, Rotterdam, Thamesport
DSR-SEN/CY	Weekly	Le Havre, Rotterdam, Bremerhaven, Hamburg, Felixstowe, Antwerp
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
*LYKES	14 days	Antwerp, Bremerhaven, Felixstowe, Le Havre

And because most ships are operated under space-sharing arrangements by different carriers which market their services independently, the possibilities are multiplied.

Most of the service between North America and North Europe is provided by members of the TACA, formerly known as the Trans-Atlantic Agreement. TACA members participate in several overlapping space-sharing agreements that provide direct service from ports ranging from Halifax to Veracruz.

The most prominent of these space-sharing arrangements is the Vessel Sharing Agreement, which has operated since 1988 with ships acquired from bankrupt United States Lines.

Independents. Evergreen, the main independent carrier in the trade, operates on its own in the North America/North Europe trade, without partnerships with other carriers on the trade. The Taiwan-based line has weekly sailings from New York/New Jersey, Baltimore and Charleston.

Lykes, another non-TACA carrier, operates by itself from North Atlantic ports and in a slot-charter agreement with Deppe Line from the South Atlantic and U.S. Gulf.

Independent Container Line, another non-TACA carrier, sails every nine days from Chester, Pa., and Richmond, Va., to Antwerp, from where cargo is transhipped to Ireland and Baltic ports.

Another independent carrier, ABC Containerline, sails twice a month with

container/bulk carriers from Gulfport, Miss.; Charleston, Philadelphia and Halifax. The service is part of a round-the-world schedule with container/bulk ships that haul ilmenite ore from Australia to a Du Pont plant near Gulfport.

Complaints Persist. Shippers have continued to complain that even with the frequent sailings, there is little true competition in a trade dominated by the Trans-Atlantic Conference Agreement. TACA lines control more than three-fourths of the slots in the trade.

But even the most vocal critics on the shipper side acknowledge that the space-sharing agreements have widened the choice of service routings. ■

Transatlantic container service from Gulf and South Atlantic ports

North American Ports**	Frequency	European Ports Called**
Wilmington, N.C. MSC/POL	Weekly	Antwerp, Bremerhaven, Hamburg, Felixstowe, Le Havre
Charleston		
S-L/P&O/NED/OOCL/MAERSK	3x Weekly	Rotterdam, Bremerhaven, Felixstowe
*EVERGREEN	Weekly	Hamburg, Thamesport, Le Havre, Antwerp, Rotterdam
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
MSC/POL	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
HL/TMM/TECOMAR/ACL	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
*ABC	14 days	Antwerp, Rotterdam, Liverpool, Hamburg
Savannah		
HL/ACL/NYK/NOL	Weekly	Antwerp, Bremerhaven, Rotterdam, Thamesport
DSR-SEN/CY	Weekly	Le Havre, Rotterdam, Bremerhaven, Hamburg, Felixstowe, Antwerp
MSC/POL	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
Jacksonville		
S-L/P&O/NED/OOCL/MAERSK	Weekly	Rotterdam, Bremerhaven, Felixstowe
Port Everglades		
S-L/P&O/NED/OOCL/MAERSK	Weekly	Rotterdam, Bremerhaven, Felixstowe
Miami		
HL/ACL/TMM/TECOMAR	14 days	Antwerp, Thamesport, Bremerhaven, Le Havre
MSC/POL	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
Gulfport, Miss.		
*ABC	14 days	Liverpool, Antwerp, Rotterdam, Hamburg
New Orleans		
HL/ACL/TMM/TECOMAR	Weekly	Antwerp, Thamesport, Bremerhaven, Le Havre
MSC/POL	Weekly	Antwerp, Felixstowe, Bremerhaven, Le Havre
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
Houston/Galveston		
S-L/P&O/NED/OOCL/MAERSK	Weekly	Rotterdam, Bremerhaven, Felixstowe
HL/ACL/TMM/TECOMAR	Weekly	Antwerp, Thamesport, Bremerhaven, Le Havre
MSC/POL	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
*LYKES/DEPPE	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre
Altamira/Veracruz		
HL/ACL/TMM/TECOMAR	Weekly	Antwerp, Thamesport, Bremerhaven, Le Havre
*LYKES	Weekly	Antwerp, Bremerhaven, Felixstowe, Le Havre

* Non-TACA carrier

** Not all lines load/discharge at all ports listed.

Some European ports served indirectly.

Double calls (load only/discharge only) counted as one.

Abbreviations: ABC - ABC Containerline; ACL - Atlantic Container Line; DSR-SEN - DSR-Senator Line; CY - Cho Yang Line; HL - Hapag-Lloyd; MSC - Mediterranean Shipping Co.; NED - Nedlloyd Line; NOL - Neptune Orient Lines; NYK - Nippon Yusen Kaisha; OOCL - Orient Overseas Container Line; P&O - P&O Containers; POL - Polish Ocean Lines; TMM - Transportacion Maritima Mexicana.

Global shipper voice

European, Japanese and American shippers hope a single loud voice will be easier to hear. Will it be a problem-solver or problem-multiplier?

By Elizabeth Canna

Shipper groups the world over want to be part of any decision-making, regulatory or otherwise, that is shaping the fate of ocean carriers.

For that reason three international shipper advocacy groups held a summit meeting in Brussels on Oct. 28.

"Shippers need to be part of the process," said Ed Emmett, president of the U.S.-based National Industrial Transportation League.

The meeting brought NIT League delegates together with counterparts from the European Shippers' Councils and the Japan Shippers' Council for the first time. The summit took place on the initiative of the Europeans, who have been holding annual meetings with the Japanese for 13 years.

Following their meeting, the three groups issued a joint declaration "to set forth the positions of shippers concerned with trade and transport regarding international shipping on issues which are of major concern to the world's three largest trading areas," the declaration stated.

"Generally speaking, it's not a lot different than what happened in the U.S. when NIT League developed earlier in the century with shippers sitting down to come up with a coordinated approach," Emmett said.

Antitrust Immunity. For legal and practical reasons, the three shipper groups are limited in what they can do together, but one goal they do share is to minimize, or eliminate altogether, carrier antitrust immunity.

Recent regulatory decisions in the U.S. and Europe have curtailed activities undertaken by the Trans-Atlantic Agreement and its successor, the Trans-Atlantic Conference Agreement. Similarly, decisions pending in cases against the Far Eastern Freight Conference, the Europe Asia Trades Agreement and other carrier pacts are not expected to go well for the carriers.

In other words, the timing is convenient for shippers to jointly push their agenda.

"We're not against conferences in the ESC," said ESC secretary general Henrik Baasch. "I believe they will have a diminishing importance. Decisions that have been taken and will be taken will weaken the conference system, and I think it's logical it should be weakened."

"I cannot understand how big international container lines determine pricing and service levels by considering the slowest and least efficient line," Baasch observed. "I really fail to see how it can be to the

"If there are some compromises between our ultimate goal and where we are today, we're willing to do those."

advantage of the most efficient."

The conference system wouldn't be mourned by shippers if it were to pass into oblivion. But the shippers also realize that could take some years. In the meantime, there's a lot of room for improvement.

"It's a goal," acknowledged Roger Wigen, chairman of NIT League and manager of transportation policy and industry affairs at 3M Logistics. "But we're more interested in something that makes it easier to do our transportation business. To do that, if there are some compromises between our ultimate goal and where we are today, we're willing to do those."

As for the Japanese, their main worry these days is the potential emergence of a new conference in a widely-flung market where antitrust regulation barely exists: intra-Asia.

"From recent activities of the Intra-Asia Discussion Agreement, it appears they are becoming a price-fixing cartel," said Toshio Suda, managing director of the Japan Shippers' Council.

Talking It Out. The shippers say they want to create a dialogue with the carriers, but discussions being sought by the shippers may not be the ones the carriers are used to.

"I don't think shippers are going to be interested in having consultations with Atlantic lines or Pacific lines on rates," said ESC's Baasch. "It doesn't seem to be very attractive for the shippers. It contradicts what we want: to have relationships with individual lines."

In the European Union, conferences are required by law to consult with shippers' councils on a wide range of issues. But, depending on the trade lane, European consultations in recent years have flagged, or broken down completely while legal cases pend.

Baasch said ESC has engaged in informal talks with the Eastbound Management Agreement, a unit of the Far Eastern Freight Conference, even though they have not formally consulted with EMA or FEFC in more than two years.

As for the Atlantic, with the exception of the Canadian Conference, where Baasch says fruitful consultations continue, the acrimony engendered by TAA/TACA has hurt any possibility of even informal talks until that agreement's legal status is sorted out.

Changing times have taken their toll on traditionally close relationship shared by Japan's big shippers and carriers.

And in the U.S., the shipper-carrier dialogue is in trouble. Four years ago a discussion group was formed under the auspices of the NIT League. The aim was to bring shippers together with the highest-level carrier executives so a big-picture solution could be found. But, given the heightened rhetoric from both sides, it would seem the discussion group hasn't had the desired effect.

Governments. The shippers want the ear of the governments as well.

Though the European Commission in Brussels appears to be deciding cases in favor of the shipper position, ESC still worries that the system works against the transport users.

As an example, Baasch offered the recent decision by the EC declaring the TAA to be an illegal agreement. Part of that decision requires TAA to inform customers within two months that they have the right to renegotiate TAA contracts. Ironically, ESC, which was a formal complainant in the case against TAA, had not yet received a copy of this decision a week after it had been delivered to TAA.

"I find it odd that it's the lines that are in breach, who have shown at every opportunity a lack of good faith, and who have been given the responsibility of informing shippers of their rights," Baasch said.



Joint Shipper Declaration

European Shippers' Councils • Japan Shippers' Council
National Industrial Transportation League

Common Interests

THE INTERNATIONAL COMMUNITIES OF INDUSTRY AND COMMERCE IN THE THREE MAJOR TRADING AREAS OF THE WORLD HAVE COMMON INTERESTS AS USERS OF OCEAN LINER SERVICES, EVEN THOUGH THEY ARE COMPETITORS IN WORLD MARKETS.

Industry and commerce in Europe, Japan and the United States of America have a common interest in assuring that products traded between these parts of the world are transported in a reliable and cost efficient manner. Although shippers are also competitors in world markets, they have agreed to work together to secure a competitive level of transport service in the three main trade lanes which link them together. Their sole aim in doing this is to assure the reliability and cost efficiency of the transport services which are provided on these trade lanes.

Supply and Demand

SHIPPING SERVICES MUST BE COMPETITIVE, BY BEING SUBJECT TO THE NORMAL FORCES OF SUPPLY AND DEMAND.

Reliability and cost efficiency in shipping may only be assured if transport services are subject to the normal forces of supply and demand.

Shippers in Europe and the U.S. therefore congratulate the European Commission on steps recently taken regarding their mutual trade which in principle require shipping lines to respect the same rules on competition which apply to industry and commerce. Shippers in Europe, Japan and the United States of America also welcome the activities of the United States Federal Maritime Commission which is looking into practices of certain groupings of shipping lines.

They call upon their respective governments to monitor activities of shipping lines in the three major world trades so that a healthy state of competition may be established in the industry. These governments should seek appropriate ways for this requirement to be fulfilled worldwide.

Shippers understand the need to develop technical agreements among shipping lines serving the same trade (consortia) with a view to making maritime services more efficient, thus decreasing costs to the shipper and improving profits for the lines.

Pricing Mechanisms

SHIPPERS REQUIRE FLEXIBLE AND CLEARLY UNDERSTANDABLE PRICING MECHANISMS THAT APPLY COMMERCIAL PRINCIPLES AND THAT SUIT THE NEEDS OF ALL CATEGORIES OF SHIPPERS.

Ocean carriers should make available price information which is simple and clear to understand. It is the responsibility of the lines to make sure that their tariffs cover all normally occurring costs, including fluctuations in exchange rates or in the cost of fuel. Tariffs must also cover port related costs such as THC and CHC which must be cancelled or at least incorporated into the base rate.

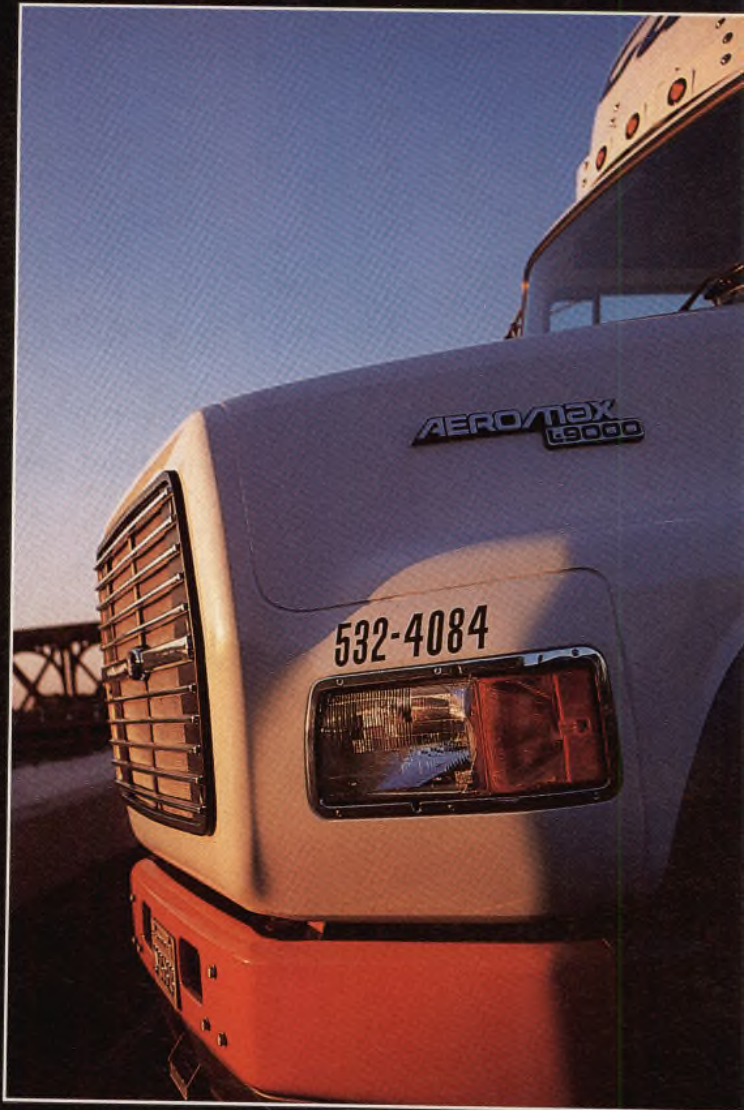
In order to promote the trade, shipping lines must not in any way be prevented from meeting justified requests from shippers to negotiate individual pricing arrangements with individual lines. The outcome of these negotiations must remain confidential between the parties. These agreements should have the flexibility to be conducted on a port-to-port, point-to-point or global basis.

Items For Discussion

SHIPPERS PROPOSE COOPERATION WITH SHIPOWNERS IN ORDER TO MODERNIZE SERVICES AND BUSINESS PROCEDURES.

Shippers wish to participate collectively in a constructive dialogue with groupings of shipowners in an effort to better integrate shipping into their total logistics chain. Items for discussion span from the choice of equipment to the systematic development of administrative procedures. These discussions could lead in part to:

- Development of generic provisions that could be consulted for inclusion in individual shipping contracts as agreed between the parties.
- Modernization of transport equipment to be used, as for instance the development towards the second generation of containers (ISO 02).
- Improvement of international legislation on shipping in such fields as liability (application of Hamburg Rules), safety and environment.
- Electronic data interchange systems (EDI) that are compatible on a worldwide basis.
- Creation of a clear and simple tariff structure based on all-inclusive rates, surcharges are to be abolished or incorporated into the basic rate.
- A shipper's choice in ports of call.



-The Brawn-

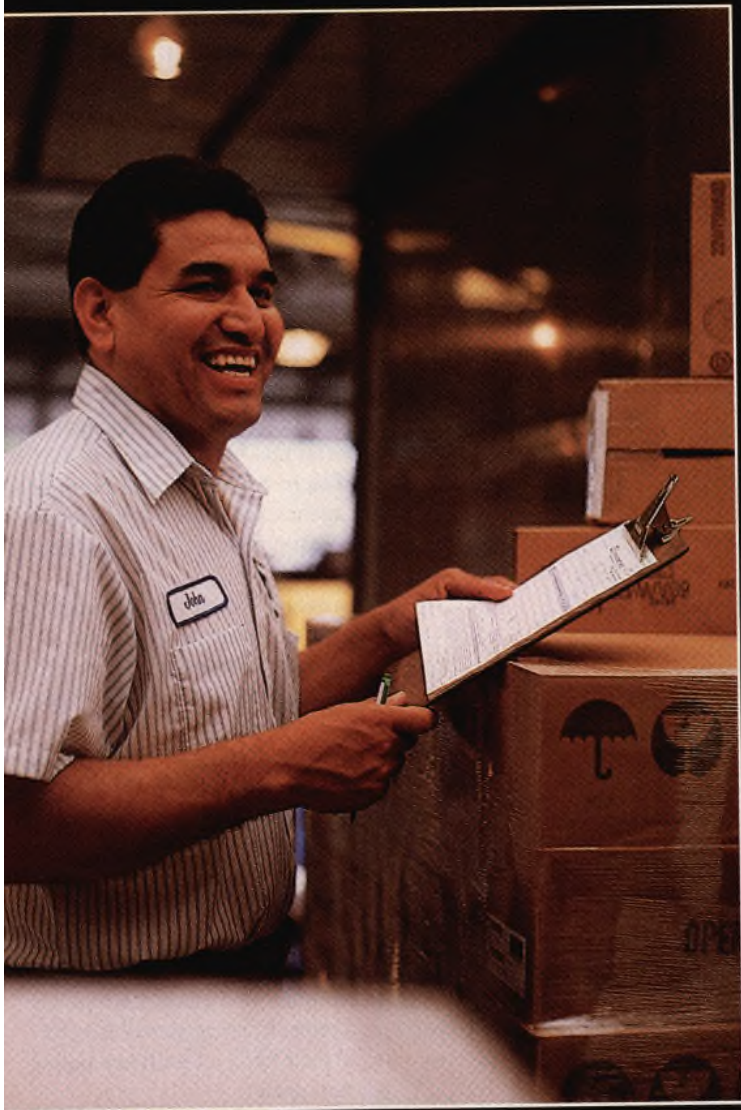
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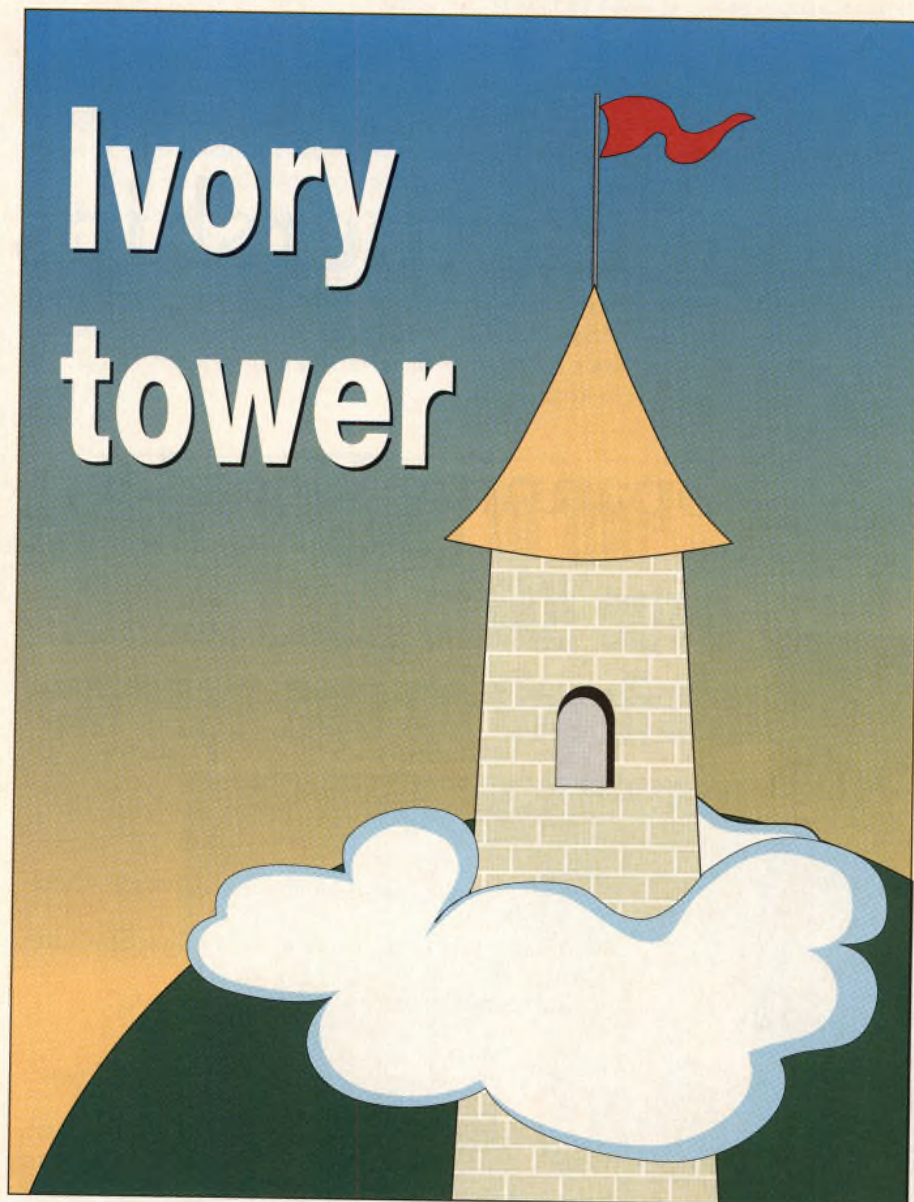
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Why Brussels' view is a lot less cluttered than the shipowners' perspective down in the real world.

By Elizabeth Canna

Conferences say they cannot go on without being able to fix multimodal freight rates.

The European Commission says conferences can't go on fixing multimodal freight rates unless they use their cartel privileges in a more user-friendly way.

Brussels and the shipowners disagree greatly on whether transport users already reap a fair share of the benefits of carrier cooperation, as required by European Union law.

They also disagree on how user-friendly a liner conference should and could be without falling apart. But, despite the widely divergent opinions, there is still a slim possibility that multimodal price fixing could survive.

Though the Commission has ruled against intermodal pricing in its case against the Trans-Atlantic Agreement, and is expected to do the same any day now in another case against the Far Eastern Freight Conference,

The activities that seem so logically suited to cooperation are the very areas where carriers feel they need to distinguish themselves for competitive reasons.

there is still time to negotiate a longer-term solution to the multimodal pricing dilemma.

In its Report on Competition Policy and Maritime Transport delivered to the European Union's Transport Council in June, the European Commission suggested ways in which conferences could pass more of the benefits of carrier cooperation on to the shipping public, and thereby possibly retain the ability to jointly fix through rates.

The Commission even suggested it would do what is necessary to create the appropriate legal/regulatory environment to accommodate multimodal price fixing (Shipowners continue to maintain that this environment already exists).

The shipowners have three choices.

(1.) They can take the political route, engaging in serious negotiations with the Commission.

(2.) They can choose the legal route, taking their battle for multimodal price fixing through the appeals process.

(3.) They can do both.

At this writing it was not clear whether the carriers and their lawyers would pursue appeals in the TAA and FEFC cases. But the chief shipping line spokesman, P&O Group chairman Lord Sterling, indicated a dialogue to discuss the behavior changes envisioned by the Commission is under way.

Not Much New. In fact, there isn't much new or revolutionary about the changes suggested by the Commission in its June report.

Over the years conference carriers have taken advantage of antitrust immunity to explore new methods of cooperation above and beyond simple price fixing.

Many a project has been launched bringing the shipowners together to find more efficient ways of using their equipment or promoting industry-wide systems development. Some of the projects have succeeded, some haven't.

When joint initiatives have faltered, it's often been because the activities that seem so logically suited to cooperation are the very areas where carriers feel they need to distinguish themselves for competitive reasons.

There is little to differentiate one conference line from another when it comes to basic service and pricing patterns. So it's in the value-added aspects of transportation logistics where carriers see an opportunity for a competitive edge.

In addition, shipping lines have found it impossible to make much progress in a vacuum. Successful change has often been stymied when vendors and customers can't or won't play along.

From the viewpoint of a non-practitioner, the Commission's ideas seem simple enough, make sense, and don't require

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gust *American Shipper*, page 46) to the effect that a volunteer team of five shippers and five carriers should be locked up in something like a distant monastery and not

The Berzon proposal sounds drastic. But there is merit in it.

be released until and unless they find a commercial solution to the current legal and commercial predicament of the carriers.

The Berzon proposal sounds drastic, and may raise legal questions relating to human rights. But there is merit in it indeed. In fact, it is not so different from what happened in Europe more than 30 years ago when governments in Europe more or less forced a very small number of shippers' and carriers' representatives, the Consultative Shipping Group (CSG), to come up with a consultative system and platform for the purpose of solving their ever-recurring differences.

The point was to offer every chance for the parties to reach agreements, failing which, a conciliation procedure was foreseen thereby reducing the role of governments to the bare minimum. The team of six in Europe drafted the Note of Understanding which was approved by the bodies rep-

resenting shippers' and carriers' interests, ESC and CENSA.

Subsequently, the detailed rules covering the most important elements of conference business were adopted in the form of joint recommendations.

All of that was topped off by the adoption of a Code of Conference Practices. Of course, not everything was perfect, and cases of rules being ignored or poorly applied occurred. But the same must be said of our current laws at either end of our common ocean.

A Long Shot.

Just to offer an idea of something which is roughly compatible with both EU 4056/86 and the U.S. 1984 Act, one could think of a system, based on appropriate rules in the basic agreement, which allows member lines, individually or collectively as varying groups (not the whole conference) to contract with shippers or shippers' associations for house-to-house terms, or indeed any other terms beyond port-to-port. Shippers who prefer house-to-house terms will get what they want or at least what is commercially obtainable in negotiation.

Shippers who have no interest in house-to-house transport simply carry on with the conference for just ocean carriage, either on

the basis of conference rates or service agreements, as they wish.

This is probably in order with 4056/86 which does not allow inland rate fixing, which is precisely what this type of conference would not do.

There would be no general inland rate fixing by the cartel, which means there would be no cartel beyond the ocean. There would be only individually-agreed intermodal contract rates which would differ from shipper to shipper depending on volumes, contribution to carriers' efficiency and productivity, supplementary value-added logistics services, etc.

In the unlikely case that the Commission found this to be in conflict with the general

There would be no cartel beyond the ocean.

prohibition in Article 85.1 of the Treaty of Rome, the carrier groups party to such a system could simply apply for an individual exemption under Article 12 of 4056/86, which most probably would be granted.

Such a system would probably be admissible under the U.S. act too, because intermodal authority and service contracts are allowed.

Amending Legislation.

If, after brainstorming and legal study, conflicts still exist with current legislation, carriers and shippers should have the courage to go together to the European Commission and/or the FMC and sort out where their respective laws need to be amended.

As far as the European Commission is concerned, several very high-ranking officials and two successive commissioners in charge of competition have repeatedly and publicly encouraged shipowners to come and engage in a dialogue with the Commission. They have intimated that the much more communicative attitude of several other sectors of economic life did contribute to finding solutions to their problems.

John Temple Lang, the director responsible for competition, said way back at the 1992 European Maritime Law Organization's conference, "It has been a characteristic of the maritime shipping industry, not shared by any other industry, that it has been unwilling to be open and frank with the Commission on questions of Community competition law ... This attitude which is difficult to understand, has made it unnecessarily and excessively difficult to approach any problems constructively."

The team proposed by Michael Berzon could and should also remedy this situation. ■

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By Michael B. Berzon

Maritime Reform 1995



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The post mortem on maritime legislation doing the rounds seems to miss the point. The conclusion most often heard identifies the villain as a little-used, ancient parliamentary procedure invoked by Sen. Pressler. This sounds like "the ship went aground because she hit the shoals." A little root-cause analysis would show that the parliamentary maneuver was just that. The reason it was invoked is shipper disenfranchisement. From the outset, shippers asked to be included in the process, especially since it looked like they were going to be footing the bill at the end of the day. Shippers might have been willing to consider compromise in return for concession from the carriers. It seemed from the start to be an all-or-nothing proposition; under the circumstances the outcome should not have surprised anyone. Unless a shipper-carrier dialogue on the subject opens up soon, all things being equal, we'll be looking at further disenchantment and polarization at the end of the next session of Congress. In the words of that Golden Oldie: "There, I said it again."

Little progress is possible until these issues are dealt with openly and honestly.

Global Commerce is Constant.

The primary reason that ships and ocean carriers exist is to carry commercial cargo among the trading nations of the world. Trade flows may grow, shrink and change direction but the need to satisfy global commerce is constant. Ships are also used to carry military cargo in times of national emergency. This requirement comes about as "lumpy demand": the need is not constant but spikes whenever an emergency arises. With this in mind, two important paradigms must be closely examined by all parties interested in maritime reform before re-embarking on another long and tortuous debate.

The first paradigm, that U.S.-flag merchant vessels must also be available for military emergencies, may no longer be valid. It simply may not be the cost-effective,

practical way of dealing with today's military sealift needs. The second paradigm, of questionable validity, states that U.S. shippers need U.S.-flag carriers in order to maintain stability in the ocean trade lanes of the world or to keep the foreign-flag carriers under control (whatever that means). Are we still dragging around baggage from the Peloponnesian War (431-404 B.C.) and the British Empire of the 18th Century?

Technology has at least as many applications on vessels as on aircraft. Take a look at the flight deck of most new commercial aircraft. What you see is two pilots and a lot of technology. Gone is the flight deck crew composed of pilot, co-pilot, flight engineer, navigator and radio officer. Compare this with the modern containership. Some carriers are experimenting with minimal-size crews. Engine rooms are staffed on one shift, and only then with one or two people. Perhaps a complement of a half-dozen people or less could run the whole ship. Training simulators for resolving vessel navigation, maneuvering, collision avoidance problems and emergencies are (or can be built) as sophisticated as they are for aircraft.

Where does this lead? With smaller crewing requirements, the awesome task of finding the ready-trained specialists to run ships in times of military emergencies is lessened considerably. Put these crews through simulator exercises they could never duplicate on board ship and you end up with highly trained and competent professionals at the ready. A fleet of mission-specific, purpose-built ships are owned and maintained by the military to meet the lumpy demand. They are also used for live training. The funding for military sealift capability comes from the Pentagon's budget. Routine military shipments would be handled by commercial carriers using service contracts to establish requirements and rates.

FMC Should Run a Survey.

The second paradigm, U.S.-flag carriers protecting U.S. shippers' interests, rings a little hollow. It may have been valid once but

in this day and age it is a little anachronistic. Perhaps a survey should be run, by the Federal Maritime Commission, of course, to find out what U.S. shippers actually think the benefit of U.S. carriers and U.S.-flag ships really is to them. Remember how we reacted some years ago to Detroit telling us that they had what we wanted? Twenty five percent or so, of us went out and bought foreign cars. It took a while for Detroit to get the message. Once they got around to asking the right questions, listening to and believing the responses, it required a lot of hard work and endless catching up. Today they seem to be reclaiming some of that lost ground. Good things eventually happen when a business listens to its customers instead of telling them what's right for them.

Are we still dragging around baggage from the Peloponnesian War (431-404 B.C.) and the British Empire of the 18th Century?

No one today is exempt from restructuring and downsizing; both shippers and ocean carriers are deeply involved in it. Businesses that have been engaged in the process will probably never stop restructuring. Many involved in global trade have spent the last 10 years looking at new ways to cut corporate overhead and promote efficiency. Implementation has not been easy and its effects have disrupted individuals' lives, families and communities. For better or worse, this is reality. Those remaining are constantly looking for opportunities to streamline and speed up processes to remain competitive. Tell them that international trade must pay for military sealift capability and they will immediately want to know why, and continue to ask why until they get an answer that makes business sense. Consider again the two paradigms, never addressed in the 1994 legislative process. Little progress is possible until these issues are dealt with openly and honestly with all stakeholders participating in the discussion. ■



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EVERGREEN



The well-publicized march to globalization seems to be moving slowly — or not at all.

By Bruce Vail

American shippers talk a lot about globalization but putting a global strategy in place as a practical, day-to-day matter is a vexing and time-consuming process. So much so that the well-publicized march to globalization seems to be moving very slowly, or not at all, at least when it comes to ocean shipping.

That was the consensus when *American Shipper* contacted a number of shipping lines thought to be most affected by the globalization trend. Surprisingly, their views were largely echoed by the global shippers themselves.

Less surprising, shippers and carriers viewed the same set of circumstances and reached conflicting conclusions. Shippers seemed to view the carriers as a large obstacle to true globalization. Carriers, on the other hand, said shippers are slow off the mark in organizing themselves globally.

Global Accounts. About three years ago Sea-Land Service set up a "Global Services Group" as a unit to deal specifically with its largest customers. The group was to appeal to the big shippers who want to deal with Sea-Land as a global service provider, rather than as a company that sells ocean transportation on one or more discrete trade lanes.

One obstacle to globalization is that shipping lines, no matter how large, divide themselves into different divisions according to trade lanes.

Sea-Land officials were defensive and secretive about the group when contacted by *American Shipper*.

Officials there didn't want to talk about what specific shippers were involved. Nor did they want to talk in a general way about how they deal with their global customers. They even declined to provide an estimate of how many shippers met their definition of "global."

No Secret. But its no secret that the focus of the Sea-Land effort is about a handful of America's largest users of ocean transportation. These are the same customers that are endlessly courted by almost all shipping lines.

They include General Motors, the world's largest industrial organization, and the other big automakers. The chemical business is represented by giants like Du Pont and Monsanto. Despite nationwide trends to slim down, there are still a few

huge industrial conglomerates around: General Electric has always been the leading example.

Names known in every household in America, like Kodak, are on the list. So are largely unheard-of companies like ones that represent a consortium of importers and specialize in low-cost retail merchandise from the sweatshops of the Far East.

One reason that Sea-Land might be unwilling to talk about these customers is that it is currently undergoing a wrenching reorganization that will inevitably result in people losing their jobs, perhaps among the global accounts group itself.

But another reason — one that was alluded to by Sea-Land and other shipping lines — is that successful dealing with global accounts has enormous implications for each of the carriers competing for that business.

Those carriers believe that the globalization trend will pick up steam. The largest shippers will refine their global transport systems and those systems will be copied by new and growing companies in the future. And most relevant to the ship lines is that the process will create big winners and losers among the carrier companies. Naturally, each is determined to be among the former rather than the latter.

Who's Who. More willing to talk was Paul Duvoisin, senior vice president and general manager of the U.S. subsidiary of P&O Containers.

He began by noting that the concept of global accounts is not new to either P&O or any of about 10 of the world's large containership companies.

After all, P&O's long history has been built by connecting British industry to its overseas markets, wherever they might be. The same can be said for Hapag-Lloyd of Germany or Evergreen Marine of Taiwan.

Add to this list NYK Line, Mitsui O.S.K. and "K" Line to collectively represent Japanese industry. And a unique melding of the European maritime tradition and Asian economic power has been Orient Oversea Container Line, which sheltered itself in the tiny British colony of Hong Kong as it grew to become one of the world's largest shipping companies.

The front rank of containership companies large enough to compete globally is rounded out by Nedlloyd and Maersk. While neither the Netherlands nor Denmark is individually large enough to support such fleets, a special skill in the art of cross-trading compensates for their small size.

The closest thing that Perrier has to a global contract with a carrier is an agreement with Evergreen Marine. An otherwise very good arrangement is marred by Evergreen's membership in a conference that sets rates between the Western Mediterranean area and the United States.

These are the best-established carriers to compete for global accounts, Duvoisin and others agreed, and each is working hard to insure that it is among the winners.

But one American shipper, who is not an admirer of the shipping fraternity, cautioned it would be unwise to overlook up-and-coming companies that could easily overshadow some of these others in the future. His list included DSR-Senator, Hanjin, Hyundai and Cosco.

Simplification. While the concept of being a global provider is not new, Duvoisin continued, there is good reason for the world's leading carriers to reexamine how they deal with their biggest customers.

What global shippers want now is simplification, he said. Globalization means expanding the sources of production and extending the reach of their markets. Shippers who employ the traditional methods of dealing with carriers as they do this can then expect a geometric progression in the amount of work, time and trouble (and cost) that this requires.

Global shippers agreed that this is to be avoided, according to Duvoisin. The first

In Evergreen's case a global contract that covers multiple trade lanes contains a sub-contract to cover the Western Mediterranean route to the United States.

step for them is to reduce the number of carriers they use and to concentrate on those carriers that provide the broadest possible range of services.

Bid and Offer. Duvoisin's view is right on the money, at least as far as Polaroid Corp. is concerned, said David Fernandes, manager of international transportation.

Fernandes said he had completed in mid-November a bid package to cover all of his company's ocean shipping for next year. The package was offered to 16 shipping lines which will bid on the package in one or more of its component parts.

"Our goal is to reduce the list of ocean vendors," Fernandes said. Polaroid currently uses about 20 ship lines and is looking to reduce that to three or fewer, he said.

In the best of all possible world's, there would be a number of carriers to bid the entire package and Polaroid would choose the best offer. However, the most comprehensive bid that he expects will cover only about two-thirds of Polaroid's requirements, Fernandes said.

Ultimately, Fernandes will mix and match the various offers to come up with an assortment of carriers.

Fernandes said he looks forward to the day when he gets a truly global bid but that he doesn't see this coming any time soon. In general, he gives carriers poor marks on their efforts to accommodate global shippers.

Single Point of Contact. One obstacle to globalization is that shipping lines, no matter how large, divide themselves into different divisions according to trade lanes, he said.

Its frustrating to call Sea-Land, for example, and discuss an issue with an executive in the Atlantic division and then be told "Oh, I can't talk to you" about similar or related issues in Pacific trades, he said. With unmistakable irritation, Fernandes said "they always want to transfer your call."

That frustration or irritation is well known to carriers, allowed Bill Flynn, Sea-Land's vice president of global services. Recognition of this was one of the reasons for forming the global services group in the first place, Flynn remarked in a brief interview with *American Shipper*.

Global customers are talking more and more about a single source of contact with the shipping lines they use, he said. They want to deal with a single individual on service contracts, tariff rates, terms of credits, and the whole range of issues between shippers and carriers. Furthermore, global shippers want uniformity and simplicity on

these questions across the lines of trade lanes, he said.

Indeed, one of the purposes of his group is to provide these shippers with a "focus of contact" at Sea-Land, Flynn said. The terminology here is quite precise, noted another shipper. No shipping line is willing or able to offer a single point of contact, he said. The use of term "focus of contact" purposefully clouds its meaning, he said. He did credit Sea-Land, however, for moving further in this direction than some of its competitors.

Conference System. Carriers will never be able to talk to global shippers on the terms preferred by the customer until they shed allegiance to rate-setting conferences, commented Richard Collins, a vocal critic of conferences and of the U.S. maritime policies that allow conferences.

Collins, a truly global shipper by virtue of his connection with the Perrier group and its parent Nestle S.A., said conferences are antithetical to globalization by their nature.

The closest thing that Perrier has to a global contract with a carrier, he said, is an agreement with Evergreen Marine. An otherwise very good arrangement is marred by Evergreen's membership in a conference that sets rates between the Western Mediterranean area and the United States, he said.

With that exception Perrier is free as a global shipper to make all kinds of arrangements that are impossible with carriers wedded more firmly to the worldwide conference system, Collins commented.

Segmented Contracts. Conference membership requires that global contracts be segmented by the specific trade lane influenced by the conference.

In Evergreen's case this means that a global contract that covers multiple trade lanes contains a sub-contact to cover the Western Mediterranean route to the United States. Prices and other terms that may be uniform for other parts of the world have to be adapted to rules of the Mediterranean conference, Collins said.

The contract has to be further segmented to distinguish shipping lanes that touch U.S. shores and those that do not, he said. This is necessary to conform to the service contract filing requirements of the U.S. Federal Maritime Commission

It adds time and creates complicated structures to write a global contract that includes conferences and also meets the requirements of FMC, Collins complained. Perrier therefore avoids conferences whenever possible. A change in FMC policy on the

filing of service contracts would ease the process of globalization, he said.

Collins said that he concludes from these experiences that shipping lines that are conference members and who also support service contract filing requirements at the FMC are not sincere about cooperation

A change in FMC policy on the filing of service contracts would ease the process of globalization.

with global shippers. They pay lip service, according to Collins, but are not committed to real change.

Du Pont. Gabe DeVitto is a former executive of Du Pont who negotiated global contracts for that company with Evergreen and Orient Overseas Container Line. He was in general agreement with Collins.

DeVitto, now a vice president of the forwarding firm BDP International, said a historic five-year, multi-trade loyalty contract between Du Pont and OOCL was possible only because OOCL was not a conference member at the time (*American Shipper*, Sept. 1989, page 54).

Freedom from conferences is absolutely essential for a truly global arrangement, he said. A contract segmented by trade lane is fine as long as most terms, except price, are uniform. This allows the shipper to simplify contract administration and accurately calculate the cost of transportation. But to sign a global contract that dumps in all the

"There has to be a system for global pricing but I don't see it (the conference system) as an overriding hindrance," remarked P&O's Duvoisin.

different variables that come with including a score of different conferences defeats the very purpose, he said

Carriers Agree, Sort of. Shipping lines attempting to deal with globalization clearly understand this point too, even if they recognize it only in a back-handed way.

Sea-Land's Flynn, for example, was extremely uncomfortable with the subject when talking to *American Shipper*.

A general assertion that conferences were not necessarily inconsistent with the needs of global shippers was the only comment he would offer.

"There has to be a system for global pricing but I don't see it (the conference system) as an overriding hindrance," remarked P&O's Duvoisin.

As long as a shipper views a global arrangement as something beyond a means of exerting pressure for short-term rate cuts, then there is nothing intrinsic in the conference system that militates against mutually beneficial global contracts, he suggested.

Conference members are rarely asked to take independent action on conference tariffs to help shippers align and simplify their shipping management practices. The most common request for independent action is when shippers want (or need) a short-term fix on a particular problem, without any reference to global strategy of long-term relationships, he said.

Shipper Approach. P&O has had global arrangements with a number of specific shippers, Duvoisin said, and the differences among them are a function of the shipper's approach, rather than P&O's approach.

While it is certainly true that there is a wide variation among carriers in how they approach global commitments, he said, it is equally true that such variations exist among shippers

P&O estimates there are about 300 global shippers worldwide and this group runs the gamut from huge Japanese trading organizations to a manufacturing company with a single factory that serves three or four international markets.

Implied in Duvoisin's remarks, and the remarks of another carrier who declined to be quoted directly for this article, was that most shippers are so far away from being globally organized themselves that it is ludicrous to criticize carriers on this point.

But that is the state of development right now and has little relevance to how carriers are preparing for the future, Duvoisin said. The point is that the leading industrial companies in the world are headed in the direction of globalization and that thousands of smaller companies will inevitably follow.

Carriers must therefore be ready and the efforts of Sea-Land's global services group, P&O's less formal list of global shippers, and similar efforts by their sharpest competitors, all represent that effort. ■



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Getting Control

Motorola must control transportation or it can't be responsible for mistakes.

By Bruce Vail

When Caroline Thompson joined Motorola three years ago, transport of cellular telephone exports to the Far East was out of control.

Motorola's line of portable phones was flying off the production line. Demand in both U.S. and foreign markets was expanding so rapidly that it was hard to keep up. Ad hoc transportation arrangements to handle overseas shipments were the norm.

Getting a handle on the situation has taken time but it is now under control, Thompson told an audience at the annual meeting of the Council of Logistics Management. The number of freight forwarders used by Motorola is down from 36 to just three. Pilferage has been virtually eliminated and discipline has been restored to the system, she said.

Forwarders. Motorola uses nothing but air transport for finished products going to Pacific Rim customers. Getting control of

the air forwarders was the first order of business for Thompson, product distribution manager for Asia Pacific at the Cellular Group.

Motorola wanted to form partnerships with "best-in-class" firms that could easily connect the company's Libertyville, Ill.-based manufacturing site to all major markets, Thompson said. The first step was to get the number of forwarders down to a more manageable size. The number was first cut to 11 and then down to five, she said.

"At that point we toyed with the concept of getting a single carrier to handle everything. We decided against it," because customers want a wider range of choices among different forwarders and brokers, Thompson said.


In addition, few forwarders are equally strong in all of Motorola's emerging Pacific markets. That meant Motorola would have to sacrifice quality of service in some areas if it chose a single provider for the entire region. That was unacceptable, she said.

Choosing Three. This was a real problem because Motorola was determined to get control over transport.

Even as it first began to cut the number of providers used, Motorola was obliged to tell customers that high standards in delivery could be guaranteed only if Motorola itself controlled the transportation. "We started telling customers that they were free to use any forwarder they wanted, but not to call us to ask where the shipment was," if there were delays or other problems, she said.

The ultimate solution was for Motorola to pick three forwarders that could offer top-quality service covering all major markets. Motorola prefers to choose the provider but customers have the option of choosing among the three. Customers are of course free to use other forwarders or brokers but in those cases Motorola cannot be responsible for their performance, Thompson said.

The three currently under contract are Circle International, Fritz Cos. and MSAS. A new round of bidding was under way at the time Thompson gave her presentation



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to the Council of Logistics Management.

One reason Motorola needs tighter controls over forwarders is the complicated customs regulations that surround cellular telephones.

The devices are not even telephones, according to some customs regulations, Thompson said. Because signals are transmitted over the air rather than through wires the phones are considered radios. But there is often confusion about the customs status of such items, so highly trained forwarders and brokers must be involved if shipments are to move to the customers quickly, she said.

Furthermore, complex rules of origin invariably apply to shipments of the cellular phones. The U.S.-manufactured final product contains components and raw materials from numerous nations, she said, so extensive documentation for compliance with rules of origin regulations is essential.

Forwarder-Broker. The ability of a U.S.-based forwarder to handle customs regulations in overseas markets thus becomes a key to a partnership with Motorola, remarked Jack Diesing, a Motorola account executive with Fritz Cos.

Fritz is among those companies with overseas staff or a "credible business partner on the other side" of the water that can offer foreign customs clearance as part of

One reason Motorola needs tighter controls over forwarders is the complicated customs regulations that surround cellular telephones.

their service, he said.

Motorola prefers to ship out on a C.I.F. basis but would not try to force this on a customer who has other ideas, Diesing said. Motorola is focusing on customer satisfaction and has a good delivery system designed with customers in mind, he said. But the company certainly wouldn't let the details of its preferred terms of sale to override what the customer wants, he said.

Theft. One of the problems in transporting the phones has been theft, Thompson added.

"People love to pilfer" the hand-held units because they are of relatively high value and are so easily sold on street corners or in other informal markets, she said.

The problem has been solved now, she indicated. Diesing explained that this was done by meticulous verification of the han-

dling process. In many cases air cargo containers are loaded at the Libertyville plant and sealed there. The containers unsealed only when "they are in the security of our own warehouse" overseas, he said.

All the handling is documented with signatures from the individuals on the scene. "Sometimes it seems like overkill, but it works," Diesing remarked.

Retailing Model. Diesing observed that trends in manufacturing are beginning to mirror practices in the retail business.

The retailing concepts of limited shelf life, seasonal sales demand and personalized customer service are relatively new to many American manufacturers, he said. But this is changing rapidly as manufacturing companies realize that better profits can be had by dealing as directly as possible with the end consumer of the products — and by providing those customers with a retail-style level of service.

Motorola's Thompson reflected this well in one of her comments at the Council of Logistics Management meeting. Long distance dealings with customers in the Far East can sometimes produce a sense a separateness that Motorola wants to avoid, she said. Therefore, through systems like partnerships with forwarders Motorola can "send people, not faxes," when problems arise. ■

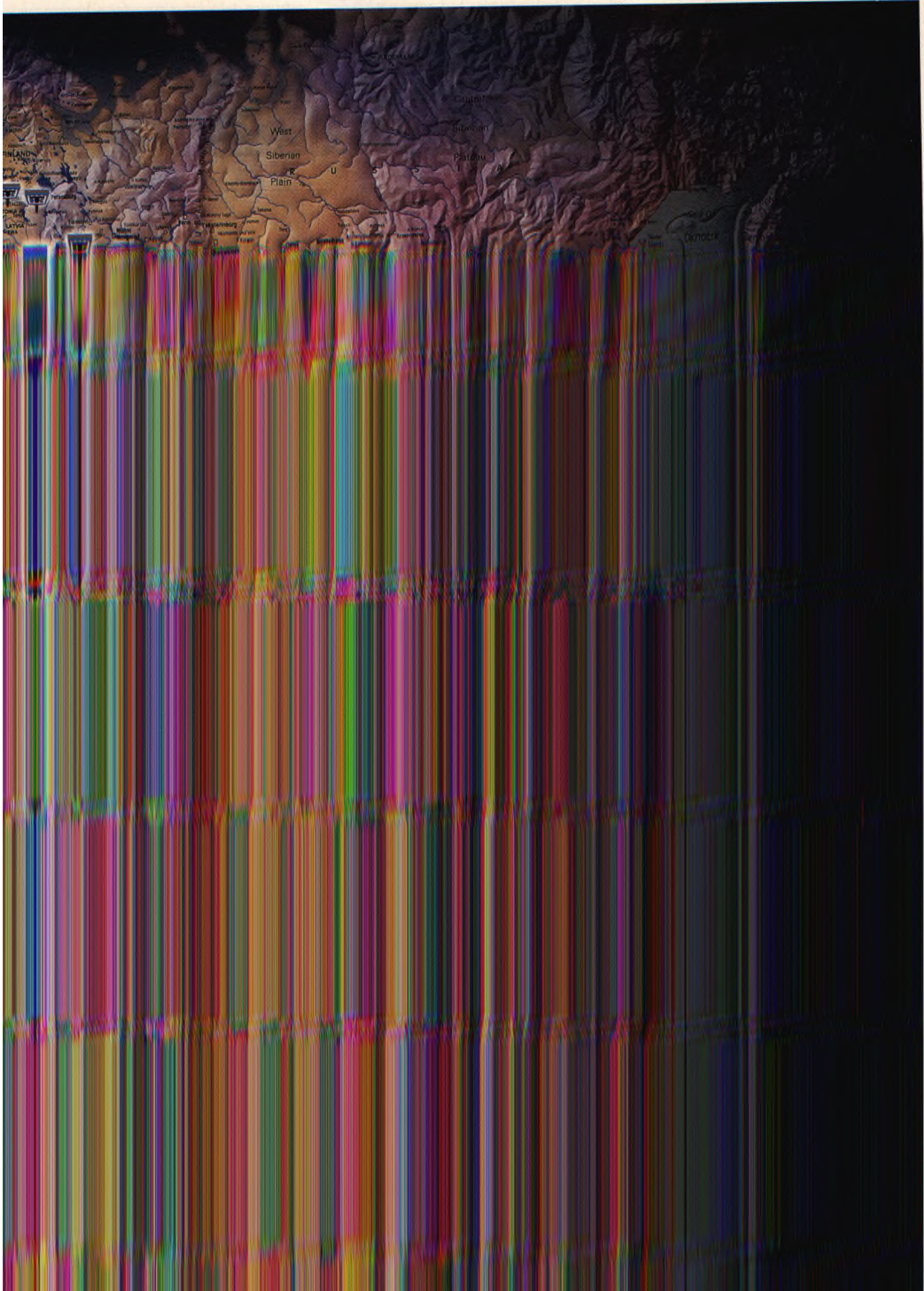


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Japanese logistics venture

Joint venture between Information Resources Inc. and Mitsui's trading organization looks for 1995 startup for computerized point-of-sale data analysis.

By Bruce Vail

The logistics initiative known as "Efficient Customer Response," which captured the attention of the grocery business in the United States, is being exported to Japan.

Information Resources Japan Ltd., a joint venture between Information Resources Inc. and Mitsui & Co. Ltd., is looking to get off the ground in early 1995, said Stuart Ryder, director of Japanese operations for IRI. Plans for the joint venture were first announced last summer.

The joint venture is focusing on consumer packaged goods in the Japanese domestic market. The sales pitch is for Japanese-language software products developed from the "QScan" and "LogiCNet" systems of IRI. These systems, based on computerized point-of-sale data from retail establishments, are said to provide manufacturers and retailers with the information necessary to improve inventory control and refine logistical operations.

Associated consulting services are part of the IRI-Mitsui joint venture package.

Congestion. The potential savings for Japanese business is enormous, commented Richard Sherman, senior vice president of IRI's LogiCNet division.

He estimated that the Japanese over-the-

road transportation system is running at only 20 percent efficiency. With 80 percent of the cargo space in Japanese trucks going unused, this capacity problem is being targeted by both business and government, he said. The Japanese government is especially keen on improving capacity management because it wants to see road congestion and air pollution from trucks reduced, according to Sherman.

By contrast with the Japanese, the U.S. transportation system runs at about 80 percent efficiency, he said. "We have a lot of congestion here too, but at least it's productive congestion. Over there the congestion is not even productive."

Sherman himself is not a part of the joint venture team, concentrating instead on the domestic development of LogiCNet (May 1994, *American Shipper*, page 62).

The joint venture is similar to LogiCNet system in that it is designed primarily to the supermarket chain business. But applications in the beauty products, home center and pharmaceutical sectors are thought to be promising, according to Ryder.

Global Strategy.

Ryder added that the Mitsui joint venture is part of a global strategy for IRI.

Expansion into overseas markets is taking place through both joint ventures and acquisitions, he said. Joint ventures are the best approach for Japan and the European markets, he said, but outright acquisitions are the preferred route elsewhere.

Joint ventures are already operating in France, Holland, Germany, Italy, and the United Kingdom, he said. A Swedish joint venture is in a very early stage.

A Turkish research company was purchased two years ago. A Cyprus-based company was bought to explore possibilities in Mideast markets.

In Latin America, projects are under way in Venezuela and Mexico. A market research firm in Puerto Rico was acquired.

IRI also hopes to break into the Canadian market, where unusual circumstances have kept IRI out, according to Ryder. IRI's principal competitor, A.C. Nielsen, has agreements with Canadian retailers that specify that point-of-sale data not be shared with other companies, he said. But those agreements are currently being challenged by Canadian government competition authorities and a judicial tribunal is expected to rule on the case before the end of the year.

New Software. On the domestic side, IRI Software, a Waltham, Mass.-based subsidiary of IRI, said in early November it had released a CD-ROM database and software delivery system for access to customized point-of-sale data from grocery stores.

The database, InfoScan Census, compiles information from nearly 13,000 supermarkets in the U.S. IRI cleans up the data and customizes it into usable form by clients.

IRI said its CD-ROM database and software delivery allow direct delivery of updated databases to personal-computer platforms and copying onto a LAN, or local area network.

This delivery system enables clients to access data without calling in to a mainframe — an advantage for remote users such as field sales representatives, brokers, or small companies, IRI said.

They also can continue to retrieve InfoScan data by time-sharing, tape delivery or PC diskettes, IRI said.

IRI's principal competitor, A.C. Nielsen, has agreements with Canadian retailers that specify that point-of-sale data not be shared with other companies.

Financial Results. Financially, it's been a rocky year for IRI. For the first nine months, IRI reported a net loss of \$11 million, or 42 cents a share, despite an 11 percent increase in revenue to \$272.8 million. For the first nine months of 1993, IRI had net income of \$19.6 million.

The 1994 results have been affected by costs of a shareholder lawsuit that was settled for \$12.5 million, of which \$7.25 million will be paid by the company's insurance carriers.

For the quarter ending Sept. 30, IRI reported a net loss of \$3.1 million, or 12 cents a share, compared with year-earlier net income of \$7.4 million, or 27 cents a share. Revenues for the 1994 quarter were \$92.9 million, up 5.8 percent.





Excluding an after-tax charge in the quarter of \$1.8 million to cover costs of the litigation, IRI's net loss in the third quarter would have been \$1.3 million, or five cents a share.

During the third quarter, revenues for IRI software products were \$25.1 million, up 6.8 percent from a year earlier. Revenues from InfoScan were \$50.2 million, up 4.9 percent from a year earlier. For the first nine months of 1994, revenues were up 5.8 percent for software and 13.7 percent for InfoScan. ■

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Shakeout in 3rd-party logistics

Signs point to specialization, possible reduction in number of big providers.

By Joseph Bonney

After years of experimentation, third-party logistics is beginning to settle down. Users and providers have raised the stakes, leading to predictions of a shakeout among big players.

As companies become comfortable with the idea of hiring outside contractors for logistics services, they ask providers to offer more extensive and sophisticated services such as inventory management and order fulfillment.

The up-front costs of developing systems to provide those services will reduce the number of big service providers, leaving others to specialize in particular industries, several third-party executives predict.

"I think there's going to be a shakeout," said Robert D. Lake, president of Roadway Logistics Services. "In order to play in this game, you need to have a tremendous amount of systems development, and that takes a tremendous amount of investment."

Although the field will still have room for niche players, they'll probably have to concentrate on a specific industry or offer broader services through alliances, several third-party providers say.

"If you go back two years, every Mark and Mario Trucking Company became Mark and Mario Logistics Company," said Robert Baker, chief executive of Skyway Freight Systems. "I think you'll see a narrowing of the number (of major providers) and an increase in niche players that are very specific to industries."

Different Tone. The future of third-party logistics was a leading topic at Council of Logistics Management's recent annual conference in Cincinnati, as it has been at previous CLM meetings.

But the tone of the discussion has changed markedly.

Until a couple of years ago, third-party providers spent much of their time trying to explain their role and justify their existence. Now that they've established themselves, they have the luxury of being able to complain about the difficulties of landing multimillion-dollar accounts.

It frequently takes more than a year to close a deal for third-party services. Providers would like to move much faster.

"I've seen some estimates that it takes as much as 18 months in a normal sales cycle," Baker said. "If we could reduce that 18 months to a year or six months, then it's obvious it's going to save us all a lot of time and money and take costs out of the whole process."

However, as many users of third-party services point out, long sales cycles are part of the nature of the business.

Outsourcing a key corporate function such as distribution or inventory management is an important, long-term decision that cannot be rushed. It's easier to form an alliance than to get out of one that doesn't work out. Once a corporate logistics department is outsourced, it's hard to rebuild when things go sour.

Companies proceed cautiously, said Hugh Randall, senior vice president of Mercer Management Consultants, because they have to ask themselves, "What am I going to do if it doesn't work?"

Up-Front Costs. As logistics providers compete for companies' business, top-notch information systems are becoming a basic requirement. That requires a hefty ante of time and money.

Lake said it is not uncommon for Roadway Logistics to invest (or as he also put it, to bet) as much as \$150,000 on systems, staff and planning in advance of a bid.

Spending that kind of money up front can be painful if it doesn't win the business. But the providers have little choice. As Skyway's Baker put it, "there are no silver medals in single-sourcing."

The bidding is made especially dicey by the reluctance of many potential users of third-party services to share information with third-party providers, Lake said. He said providers often must submit bids based on sketchy information, and hope they haven't promised more than they can deliver.

Some companies seeking third-party services still don't have a good picture of their own logistics operations, although this is changing, Baker said.

He said Skyway, based in Watsonville, Calif., deals with a number of high-tech companies. "You'd think these people would have a lot of detailed information about their shipping and distribution patterns and all

that. But we often find that they don't. And that is often a serious roadblock to getting things done quickly and efficiently."

"I always try to emphasize to the client that you really will end up getting lower costs from us if you work with us and you share information," said John Williford, president of Menlo Logistics, the third-party unit of Consolidated Freightways. "Some people believe that and some people have a lot of trouble with it."

Some companies also seek bids from outside providers in an effort to improve their in-house operations. That rankles some providers.

Michael J. Gardner, executive vice president of GATX Logistics, said providers "spend far too much time responding to benchmarking inquiries. We don't have a problem assisting companies in that area. We'd just like a little more candidness about what the intent is."

Gardner also said it's not unheard of for more than 30 bidders to compete for a single project. "We spend a fair amount of time trying to jockey and get elbow room."

Specialization, Globalization. Increased specialization by third parties is inevitable, several executives said.

The reason is obvious: A third party that says it can perform better than an in-house department had better have expertise — and nobody is expert on everything.

Another force contributing to specialization is the way third-party logistics providers and users get together.

Mercer's Randall said such contracts most often result from referrals — when a company begins asking about potential third-party providers, it tends to consult others in the industry.

That reinforces the tendency for companies to specialize in a particular field, such as automotive or pharmaceuticals, Randall said.

Another trend that several third-party providers see is globalization of service offerings.

There has been only a limited amount of third-party logistics business so far. "Right now we've got all we can do just to keep up with the North American scene," said Larry Sur, president of Schneider Logistics.

However, this is expected to change as companies become more sophisticated in global sourcing and sales, several industry leaders say.

Skyway's Baker said global market is expected to be "a real growth opportunity between now and the turn of the century. If you're not in the global marketplace, you're going to have your domestic business threatened." ■



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Global service from 8 warehouses

AT&T will cut 22 of its 30 dedicated national warehouses.

AT&T-Global Information Solutions is currently drawing 60 percent of its sales from international markets and that percentage looks to increase in the future, according to John C. Beckett, manager of distribution and transportation.

The AT&T unit, created from the acquisition of the old National Cash Register Co. a few years back, is in the process of streamlining its distribution and transportation systems to make the unit more profitable, Beckett told this year's annual meeting of the Council of Logistics management.

Four items are at the top of the logistics agenda for the maker of computer hardware and software, he said:

- Reduce the number of warehouses worldwide.
- Eliminate stranded inventory.
- Obtain on-line global view of inventory to ease redeployment.
- Ship directly to customer when warehousing provides no value-added activity.

International Infrastructure. Reducing the number of dedicated AT&T-GIS warehouses worldwide is the biggest feature in the effort to reduce international distribution infrastructure costs, Beckett said.

Wherever possible these warehouses will be replaced by public warehouses operated by third party providers, he said. In those cases where the warehouse can't be replaced in that way, the company wants to have short term leases on warehouse space rather than being an owner, he said.

Currently AT&T-GIS has 30 warehouses and the intent is get that down to just eight, Beckett said. Already some warehouses in the United States and Western Europe have been closed but the real work is only just beginning.

Ultimately the company wants to be operating a single warehouse in each of the major markets. Those markets are the United States, Western Europe, Eastern Europe, Japan, Australia, Taiwan, the Middle East, and South America.

The reduction in warehouses should take 18 to 24 months to complete, he said.

Also part of this cost cutting is reducing the number of transportation suppliers down

to a small group of "partner" relationships that take advantage of traffic volume leverage from the entire AT&T enterprise, Beckett said.

Inventory. Elimination of stranded inventory and development of an on-line global view of inventory are closely related goals, he continued.

Stranded inventory will be reduced by using fewer warehouses but any time a warehouse is used there is always the danger of valuable products getting lost, he said.

It has been the practice of some overseas sales representatives, he noted, to load up on stock so there is always some product on hand if a good customer needs something in a hurry. They do this as a preventive measure but it invariably results in computer products sitting in warehouses gathering dust while the products become obsolete.

An on-line inventory will help get these products to market before they become outdated and should lead to the elimination of stockpiling products by local sales representatives, he said.

AT&T-GIS is currently at work on a custom made computer system to do this work. The new system should be ready in about 24 months, he said.

Ship Direct. Shipping directly to customers bypasses all of these historical problems and AT&T-GIS tries to do this whenever possible, according to Beckett.

For international markets that means getting products, all of which are considered high value, into the air as soon as possible.

This is almost "old hat" as far as modern logistics management is concerned, he admitted, but in a company with \$8 billion in sales last year alone, it takes a lot of work to keep up.

This is particularly true in the most rapidly expanding markets — China, Russia and Eastern Europe. In those markets, AT&T-GIS is looking particularly closely at joint ventures where the local joint-venture partner can play a major role in distribution and transportation, Beckett said. ■

*For international markets
that means getting products
into the air as soon as
possible.*

Revlon contracts with Manugistics

Revlon Consumer Products has contracted with Manugistics Inc. for software systems that the cosmetics and fragrance company hopes will help tighten its supply chain.

Revlon is trying to shorten cycle times for its products, said Gene Pinadella, senior vice president and chief information officer.

Manugistics is furnishing Revlon with demand and distribution planning software. New York-based Revlon plans to tie those systems in with others provided by Datalogix International. The systems are scheduled to be in operation by the first quarter of 1995.

Pinadella said Revlon has a good supply chain but wants to improve it and move deeper into vendor-managed inventory and just-in-time supply.

Supply chain management is difficult for a company such as Revlon, which ships a huge variety of cosmetics and fragrances, often in small quantities.

"Lipstick is lipstick, but when you have 25 shades of pink, 45 of brown and 400 of red, your SKUs (stock-keeping units) multiply," Pinadella said.

That puts added demands on the company's internal order-picking systems. Substitutions and back orders are costly, and Revlon hopes to use supply-chain software to reduce those costs.

Revlon is among several major customers with which Manugistics has signed contracts during the last year.

Others include BASF; Bell Sygma/Bell Canada; Burroughs Wellcome; Herman-Miller; Kroger; RS Components; Scott Paper, SmithKline Beecham Consumer Brands; Tambrands Ltd. and 3M United Kingdom plc.

Manugistics recently signed an agreement with Price Waterhouse to work together to provide supply chain management products and services.

Price Waterhouse is involved in business process improvement, systems redesign and information technology, particularly in the consumer goods, high-tech/electronics and pharmaceutical industries.

Manugistics, based in Rockville, Md. specializes in software and services for use in supply chain management. ■

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How Quaker Oats measures value added

CLM speaker explains why he failed to get a bonus.

By Bruce Vail

"It is amazing how fear, intimidation and pocketbook can generate improved behavior."

According to Dan Boekelheide, these three factors have made a real difference over the last three years at the Quaker Oats Co. Boekelheide, director of customer service and strategic alliances at Quaker, said creating these factors is a system of "controllable earnings" that is gradually reaching into every corner of the company.

Controllable earnings is strictly a financial measurement question, not an operational concept, he told an audience at the recent Council of Logistics Management conference in Cincinnati. Although it is tied to Quaker's efforts to measure the progress of its "Efficient Consumer Response" logistics initiative, the central point of redefining financial measurements is to get better accountability from Quaker's managers.

Controllable earnings is not designed to create fear and intimidation for its own sake, he was quick to add. But by tying as much as 60 percent of the personal income of managers directly to measurable improvements, it sometimes has a fearful effect. Indeed, Boekelheide said he received no bonus last year because objectives were not met.

40,000 Feet. Controllable earnings provides a clear and consistent measurement of performance that combines the best of traditional measures like operating income and return on invested capital, added Dan Peterson, Quaker's strategic business manager for national accounts.

Through use of established "hurdle rates" that set achievable goals and a mathematical formula to measure against the goals, managers can be evaluated without reference to uncontrollable events like stock market crashes or acts of God, Peterson said.

Neither Peterson nor Boekelheide was comfortable going into any great detail on this element of the subject. The presentation at the CLM meeting was intended only to present a view from "30,000 to 40,000 feet up," Boekelheide said, because Quaker regards a lot of the details as competitively sensitive information.

Counterproductive. But the main point is that this measure is applied uniformly throughout the company, they said. This solves problems of the past such as when

sales managers were measured by the volume of products moved from Quaker's distribution centers to customer warehouses, while production managers were measured on unit cost of production.

In many cases, such varying measurements proved counterproductive to overall profitability, Peterson said. For example, when sales managers were rewarded for loading up customer warehouses with stock, that hurt the freshness of the product. Stale goods didn't make the ultimate consumers very happy and neither was this an efficient use of transportation or warehouse space.

By tying as much as 60 percent of the personal income of managers directly to measurable improvements, it sometimes has a fearful effect.

Such practices are inimical to the progress of efficient consumer response, Boekelheide stressed. In order to move products from the factory to the retailer to the consumer's kitchen as quickly as possible, the manufacturing company needs to remove internal company roadblocks, he said.

Top Down. The performance measurement of individual managers was not always tied directly to the profitability of the company either.

This is being changed in a progressive top-down fashion that brought controllable earnings measurements from the highest levels of the company in 1991 down to the sales manager level in 1994, Boekelheide said.

It is being done in a step-by-step fashion because it would be unfair to penalize middle- or low-level managers for shortcomings over which they have no control. The process itself must be initiated and strongly supported from the highest levels of the company, he said. It "must be driven from the top down."

For the highest managers this system has already proved personally profitable. Quaker has been recently cited as one of the top 10 cash-generating companies in the United States, and the compensation and bonus system reflects that.

One downside, however, may be that such strong cash flow is attracting the interest of corporate takeover artists. Quaker stock prices have been erratic over the last six months as rumors circulate about one or another takeover of the company, according to Boekelheide.

Big Customers. The new measurements have shown that the principles of efficient consumer response — and its handmaiden "Continuous Replenishment Process" — are working at Quaker, Boekelheide said.

Continuous replenishment, wherein Quaker itself generates the purchase orders for its customers, has proved particularly effective in increasing profitability both for Quaker and for its large customers, he said. About 30 percent of Quaker's volume is managed under CRP and this percentage of the volume is more profitable than the other 70 percent, he said.

The increased profitability is attributable to fresher products moving to store shelves more quickly and with fewer instances of stock shortages. Experience shows that increased sales by the retailer result as consumers feel no need to go elsewhere for similar items, Boekelheide said.

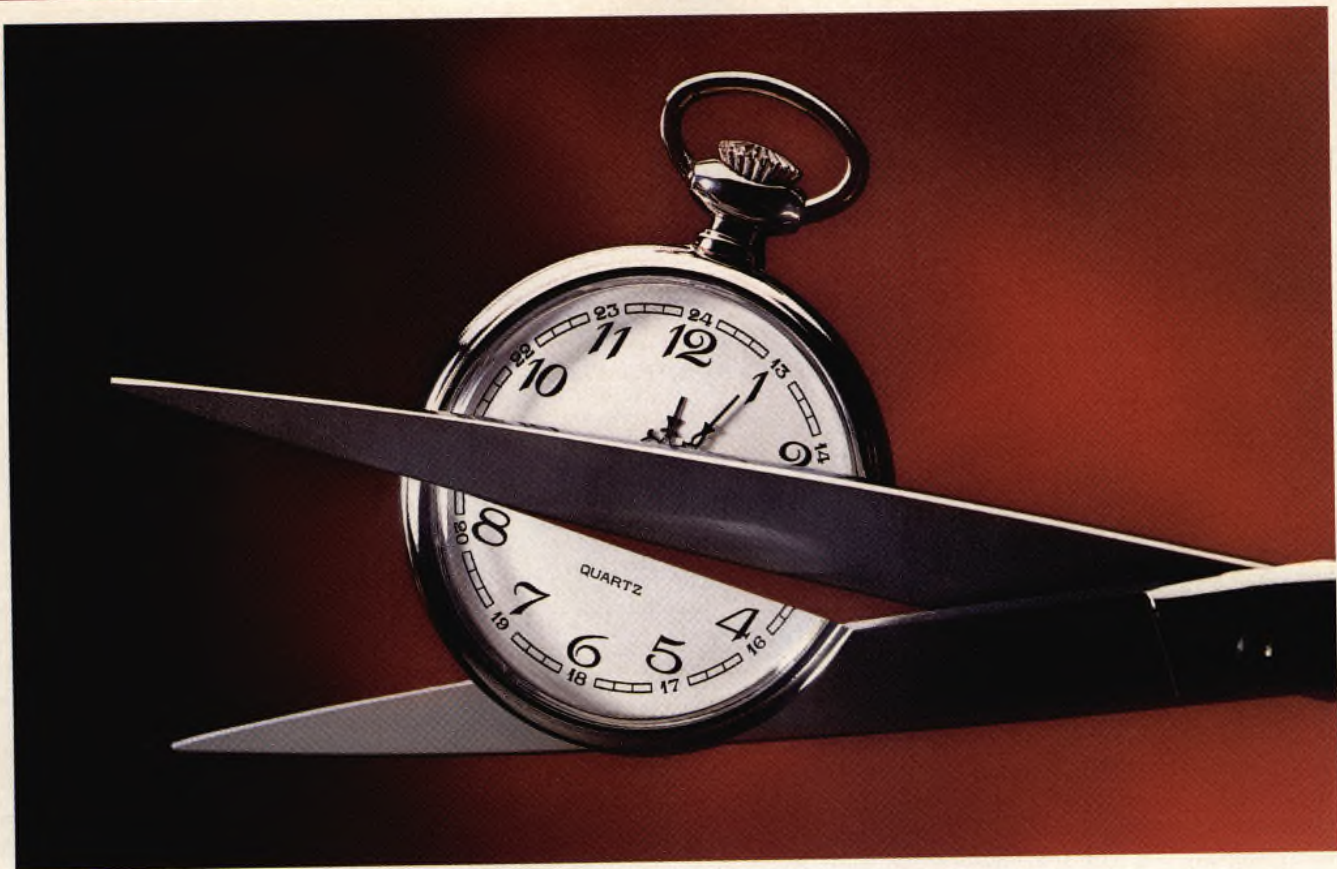
"Customers love it because they are selling (to the final consumer) even before we bill them" for the products, he remarked.

Wall Street. Peterson stressed the Wall Street angle of controllable earnings because smoothing out the supply chain might have an effect on Quaker's stock prices, or the stock prices of any company that adopts a similar program.

Quaker Oats has historically shown 40 percent of its income in the fourth quarter of the fiscal year for a variety of reasons, he said, so securities analysts are accustomed to seeing big numbers at that time of year.

But smoothing out the supply chain means spreading out this income more evenly over the year. In order not to spook the analysts, the system has to be explained to them in great detail first, Peterson said. This has been successfully done and Quaker has not seen bad results on Wall Street.

This same phenomenon was seen internally at Quaker with managers whose bonuses are tied to quarterly results. It took a little financial footwork but it was possible to institute controllable earning without forcing executives or managers to pay the price for it, Peterson said. ■




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Demand Chain Management

Ryder/Unipart alliance pitches North American companies on using its system for European logistics.

By Joseph Bonney

Everyone seems to be into just-in-time and supply chain management these days, but two major logistics providers say their new alliance goes a step farther with DCM — demand chain management.

Demand chain management is the cornerstone of UniRyder, a joint venture established this year by Ryder Dedicated Logistics and Unipart DCM.

Ryder Dedicated Logistics is a subsidiary of Miami-based Ryder Systems. Although the parent company is best known as a lessor of trucks, the logistics unit is the company's fastest-growing part, with 1993 revenue of more than \$565 million.

Unipart DCM, a division of Oxford, England-based Unipart Group, is a third-party logistics company that manages logistics for automobile manufacturers and others in Europe. The company operates more than 3 million feet of warehouse space and processes 10 million orders a year.

UniRyder is pitching North American companies on using demand chain management for their European logistics operations.

UniRyder officials say demand chain management is different from what generally is accepted as supply chain management.

Beyond JIT. Demand chain management, also known as demand flow, is built on the idea of just-in-time inventories but is far broader, said Jay Bitner, a former GATX Logistics executive who is marketing UniRyder's services to North American companies.



Bitner

Many companies using just-in-time systems merely ship from huge inventories, and still manufacture weeks or months in advance. Demand chain management, Bitner said, uses information and forecasts on customer demand to drive decisions on inventory, shipping, manufacturing and materials ordering.

Done properly, he said, demand chain management can tighten the entire logistics process — reducing the amount of idle capital tied up in inventory while improving service.

Companies still have a segmented view of logistics — focusing only on transportation, or inventory, or manufacturing.

However, Bitner said that as he meets with companies, he finds that many still have a segmented view of logistics — focusing only on transportation, or inventory, or manufacturing.

To take full advantage of demand flow management, he said, a company must develop a complete understanding of its logistics system.

Beer Industry. Bitner, who spent 25 years in manufacturing, said demand chain management isn't a new concept. He cited the beer industry, where he spent nine years with Miller Brewing Co.

Beer is a perishable product whose inventories must be limited. Neither breweries nor distribution centers nor retailers can store huge quantities for long.

Consequently, brewers realized long ago that they had to adhere to tight, down-to-the-minute schedules — and that the only way to do it was to gear their ordering, production, inventory and shipping to customer demand.

They used to do it with mathematical linear programs — basically, grids that were used to plot when and how much production would be needed to meet demand for six-packs of bottles, 12-packs of cans, and so on.

Improved sophistication of computers has allowed the concept to be taken a step further, but many companies still don't grasp the possibilities for simultaneously cutting inventories and improving service, Bitner said.

European Logistics. Unipart, the U.K.-based partner in the UniRyder venture, says it has invested \$30 million in computer hardware and \$60 million in demand forecasting, sales support, inventory management and supply process control hardware.

Unipart's biggest customers include several automakers — Jaguar, Rover, Landrover and Nissan — as well as Freeman's, a large U.K.-based catalog retailer.

The company has warehouses in Spain, France, Italy and the U.K. and can deliver parts and components to most European points within 38 hours on a normal basis and within 14 hours on an expedited basis, officials say.

Ryder, meanwhile, has operated in Europe for 21 years and hopes to use its alliance with Unipart to expand its third-party logistics presence across the continent.

UniRyder is targeting companies with annual revenues in the \$1 billion range — big enough to take advantage of the UniRyder system's capabilities but not so big that they have already made huge investments in their own logistics-management network.

UniRyder officials say their system is best suited for companies with fairly complex logistics requirements — for example, retailers or manufacturers of aftermarket parts for the automobile industry.

A company with thousands of parts and components moving in numerous directions between plants, wholesalers and retailers has a huge need for efficiencies offered by demand chain management, Bitner said.

"It's an opportunity for companies whose markets have complex requirements and demand a high level of service," Bitner said.

UniRyder officials say demand chain management has allowed companies to reduce inventories by more than 40 percent while improving product availability.

The key is an information flow that allows demand to be accurately forecast, integrated with planning and marketing, and linked with inventory management, supplier scheduling, and order placement and fulfillment.

UniRyder officials say their demand chain management program is offered as a complete package or as separate services that a customer can integrate into its own processes.

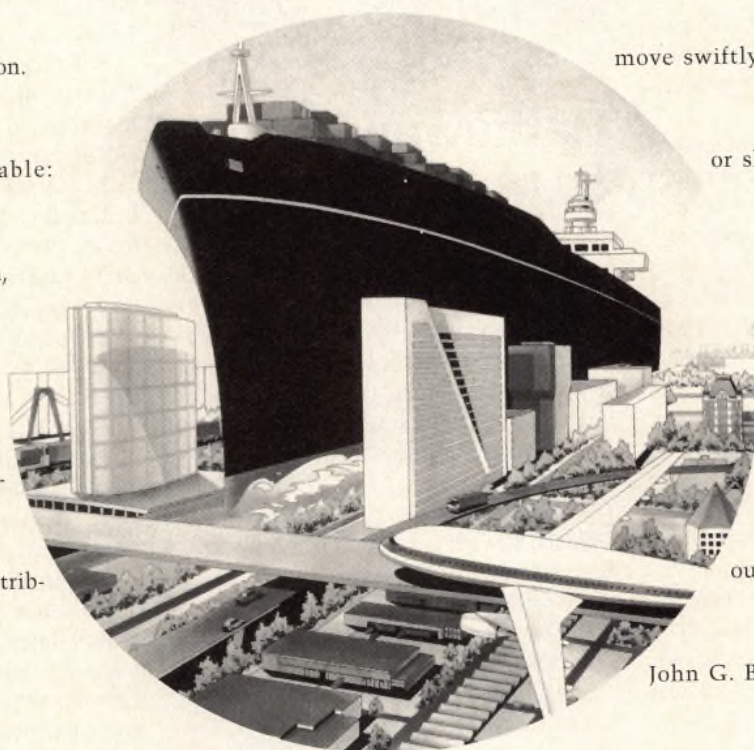
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ROTTERDAM: MAINPORT EUROPE

USCO, Leaseway in logistics venture

Georgia-Pacific to overhaul building-products distribution.

USCO Distribution Services and Leaseway Transportation have formed a joint venture to manage warehousing and distribution as part of a pilot logistics program for Georgia-Pacific Corp.

Georgia-Pacific's Building Products Distribution Division is using its southern region as a prototype for a "logistics network" that will change the way the company supplies its customers.

The warehousing and distribution parts of the redesigned logistics network will be managed by the USCO/Leaseway joint venture, known as UL Logistics.

USCO is a Naugatuck, Conn.-based provider of third-party logistics services. Leaseway, based in Cleveland, provides contract transportation and logistics services.

The joint venture was established solely for the Georgia-Pacific project, officials said.

USCO and Leaseway were selected from among 37 logistics providers by Georgia-Pacific, which is trying to overhaul the way it gets building products to its customers, such as lumber yards and home centers.

The Atlanta-based company is working with UL Logistics on a prototype effort covering the southern region of Georgia-Pacific's building-products distribution division.

The southern region now has 15 branches, which operate somewhat autonomously in their geographic areas. Each branch has inside and outside sales staff and is responsible for procurement, warehousing and delivery.

The prototype program will consolidate those branches into five logistics centers, each covering a broader area, said Frank Gaura, vice president and general manager of UL Logistics.

Georgia-Pacific will operate a sales center with its own staff to handle sales and procurement at each logistics point.

The company will contract with UL Logistics for management of other functions, including warehouse management, warehouse staffing and labor scheduling, transportation scheduling and product delivery.

The first logistics center will be established in January in Atlanta. The other four locations were not immediately disclosed.

USCO and Leaseway officials said the hub-and-spoke logistics arrangement being tested at Georgia-Pacific is new for the building-products industry. ■



Franklyn C. Hathaway

Hathaway new CLM president

Franklyn C. Hathaway, vice president of Van den Bergh Foods in Lisle, Ill., has been elected president of the Council of Logistics Management at the CLM's annual conference in Cincinnati.

Hathaway has held several CLM offices and has served on a number of food industry committees.

Before joining Van den Bergh Foods in 1988, he was in logistics for Standard Brands Inc. (now part of Nabisco), Land O'Lakes and Nestle.

Hathaway succeeded Gary J. Sease, senior vice president of operations for American National Can Co. in Chicago.

Elected first vice president was Nancy Haslip, logistics manager for the personal computer business unit of Digital Equipment Corp. in Acton, Mass.

Haslip is in line to take over as president at CLM's 1995 conference, scheduled for Oct. 8-11 in San Diego.

She has been with DEC since 1987, and until recently was in the company's corporate logistics department for the Asia Pacific area.

Other CLM officers are:

- Second vice president, David A. Tarr, vice president, distribution, of Pet Inc. in St. Louis.
- Secretary-treasurer, Robert E. Bowles, director of distribution, PPG Industries Inc.,

Pittsburgh.

Serving with the CLM officers on the council's 1995 executive committee will be:

- General conference chairperson, Kathleen Strange, vice president of logistics for Stride Rite Corp., Cambridge, Mass.

- Planning chairperson, Masao Nishi, senior principal, Sabre Decision Technologies, Dallas.

- Roundtable chairperson, Herbert G. Johnson, general manager of worldwide services, Polaroid Corp., Needham, Mass.

- Professional development chairperson, Bernard M. Madej, vice president of logistics, C.H. Robinson Co., Eden Prairie, Minn.

- Research strategies chairperson, John Thomas Mentzer, professor of marketing, logistics and transportation at the University of Tennessee at Knoxville.

- Current projects chairpersons, Robert F. Cahill, logistics consultant, Stamford, Conn., and Joel L. Sutherland, vice president, logistics, of ResourceNet International, Covington, Ky.

- George A. Gecowets, executive vice president at CLM headquarters in Oak Brook, Ill.

Roger W. Carlson, vice president of Exel Logistics, received the CLM's distinguished service award. He is the 30th recipient of the award since it was inaugurated in 1965.

Carlson was founder of the American Warehouse Association's basic course in warehouse management at Michigan State University, a program that has trained more than 1,000 people in warehousing.

Arnold B. Maltz, assistant professor of marketing and transportation at New Mexico State University, received the E. Grosvenor Plowman award that CLM presents annually for the top logistics paper.

His paper, presented at the Transportation and Logistics Educators Conference that is held annually in conjunction with the CLM conference, was entitled "The Outsourcing Decision: What The Data Say."

Timothy C. Johnston, assistant professor of marketing, logistics and transportation at the University of Tennessee, received CLM's 1994 doctoral dissertation award. His thesis was "Governing Transactions in Business Markets: Implications for Prediction and Performance." ■



Tarr



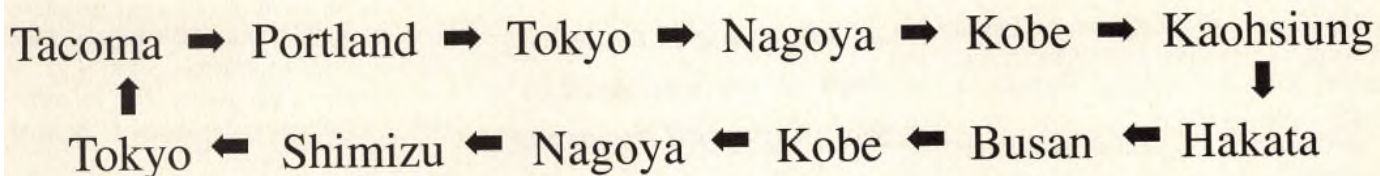
Carlson



Haslip

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Third party inside your office?

Just how close should you be?

By Richard Knee

Jack Staton doesn't like stationing his employees in client shippers' plants.

Bob Walters and Bennie "Mac" Warren do, but they enter such arrangements carefully.

Growing numbers of freight intermediaries are weighing the pros and cons of the practice.

For third-party logistics companies like Staton's and Warren's, there are myriad commercial, legal and even social considerations.

For international freight forwarders, there are possible regulatory implications as well; this has yet to be sorted out.

The issue received scrutiny at annual conferences that third-party logistics and freight forwarder industry associations staged in late October.

Staff officials with the Federal Maritime Commission are divided over whether freight forwarders may legally place their personnel in customers' plants, according to Carlos Niemeyer, FMC's San Francisco district director.

Third-party logistics providers do not have to deal with the legality issue because they are not regulated by FMC or any other federal agency.

At a recent FMC staff meeting in Denver, officials with the agency's Bureau of Investigation asserted the practice was patently illegal, Niemeyer told a workshop audience at the Western Cargo Conference (WESCCON), held in Incline Village, Nev., under the aegis of the Pacific Coast Council of Customs Brokers & Freight Forwarders Associations (PCC).

However, Niemeyer continued, bureau officials could at the time cite no statute outlawing the outplacement practice and, for that reason, there was consensus among the district directors that there is nothing illegal about it.

The practice is certainly not a rebate, because rebates refer to discounts from tariffed ocean rates, which forwarders do not file, Niemeyer said.

"The issue is replete with all the ambiguities that plague all the areas the FMC is trying to regulate ... The commission is doing a pretty good job of grappling with an impossible situation," remarked Peter A. Friedmann, PCC's counsel and a major architect of the 1984 Shipping Act.

The Pros. TLR-Total Logistics Resources, a freight forwarder and customs broker based in Portland, Ore., has been placing employees in clients' plants on and off for more than 10 years, Steve Buffam, the company's chief executive officer, told the WESCCON workshop.

To conform to regulations, the company lists its outplacement locations as FMC-permitted branch offices, he said.

"Our methods, our (operating) systems and our automated systems go in also," Buffam added.

The reason TLR favors the concept is that

*"The issue is replete
with all the ambiguities
that plague all the areas
the FMC is trying
to regulate ..."*

there is a need for an immediate-response capability at shippers' plants, he said.

"In a trading-company-type environment ... you just can't predict what will happen from one day to the next," he noted.

Warren agreed, adding his company, Duluth, Ga.-based Consolidated Traffic Management Services, is able to react as quickly as the need arises.

"If (the customer) is going to get a new vendor next week, we need to know about it this week," Warren told *American Shipper* at the close of the American Logistics Management Association's (ALMA) conference in Burlingame, Calif..

During an ALMA conference workshop, Walters, who is president of National Freight Management in Anaheim, Calif., said he found a definite advantage — namely, immediate contact with the customers' upper management — in placing his employees on clients' premises.

The Cons. Staton, president of National Logistics Corp. of Naperville, Ill., has a sour taste left over from when he placed three employees in the plant of a manufacturer customer.

And he is resisting an in-plant stationing request from a retail chain, he told *American*

Shipper at the close of the ALMA gathering.

With the first client, the in-plant stationing occurred when the shipper was shifting its manufacturing activity from Chicago to Tennessee, in order to hire non-union workers, Staton recounted.

One set of problems stemmed from the fact that workers at the shipper's Chicago plant perceived the arrangement with Staton's firm as the reason they were losing their jobs, he said.

Another set of problems arose from the low-level computer technology the shipper had, he said.

"They were using a 1960s mainframe. It was very difficult to interface with them," he said.

By keeping employees on his company's premises, he cuts computer-interface costs, he can deal more easily with peaks and valleys in the work load, and he can provide the technical backup that his workers need, he said.

Regarding the in-plant stationing request from the retailer, Staton said he would do his best to talk the client out of it.

"If necessary, I'll raise the price and try to make it prohibitive to do it that way," he said.

Work Force Relations. Warren said his outplaced workers have very good relations with those of their host clients. He makes sure of it, encouraging his employees to mix socially with the clients', to attend their company picnics and to participate in their philanthropic activities.

It works to the extent that the vast majority of clients' employees do not know that Warren's personnel are "outsiders," he said.

Quality Assurance. Communications technology obviates the need to keep employees at the home office for quality-control purposes, Warren said.

His company ties all personnel, including those in clients' plants, into a single computer system, so if an outplaced employee makes a mistake, he will see it immediately, he explained.

In addition, each customer provides a weekly "report card," and the company conducts an annual meeting in Atlanta, involving its outplaced employees, its carriers and its customers, he said.

It is anything but a glad-handing session, Warren added.

"We want to find out what they need. We want to hear it from their top management, and we want their negative feedback," he said.

At National Freight Management, outplaced workers are brought back every four to six weeks to share their experiences with company executives and with one an-

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other, Walters said.

Los Angeles attorney John Politis, who specializes in forwarder-related issues, listed a number of legal considerations surrounding employee outplacement, and advised that all agreements be in writing. The matters include:

- The rights and responsibilities of each party when an outplaced worker suffers an on-the-job injury.
- Host clients' needs to ensure confidentiality of sensitive information.
- The possibility that an outplaced employee will discover illegal activity on the part of the host client or some of its workers.

In that case, it is best to notify the client's

**To conform to regulations,
the company lists its
outplacement locations
as FMC-permitted
branch offices.**

top executives of the situation, Politis said.

- Maintaining a physical separation between the forwarder's and a client's personnel.

This is necessary to ensure the territorial

integrity of the forwarder employees' work stations, given their permitted-branch-office status, he explained.

- Control of the forwarding company over its outplaced personnel. Forwarder employees should get clearance from their headquarters before giving any advice to their host clients, Politis said.

- "Loaning" of employees by forwarders to clients.

Niemeyer said he did not know of any case law regarding the practice.

Politis advised that the forwarder avoid any possible legal conflict by putting the employee on a leave of absence or removing him/her temporarily from the payroll. ■

ALMA/TIA merger overtures collapse

*American Logistics Management Association
must sail alone, at least for the near term.*

By Richard Knee

Merger or affiliation overtures by the American Logistics Management Association, a group of more than 75 third-party logistics firms, to a handful of other organizations have drawn polite but firm "no, thanks" replies.

The overtures were mainly out of a desire to cut administrative costs, particularly with executive director Richard Dodd having left to take charge of logistics operations and carrier relations for Advo Corp. in Connecticut.

But Dodd's departure will apparently not leave the organization without administrative help, because Bob Walters, the association's chairman, has agreed to take over those chores temporarily.

ALMA was also considering hiring an outside contractor to handle day-to-day administrative operations.

The latest "no, thanks" response came at ALMA's annual conference, held in Burlingame, Calif., in late October, when a group calling itself the Transportation Intermediaries Association (TIA) pitched ALMA's board on affiliating and then, the following day, decided it would not be in either of their best interests to do so.

TIA is in the formative process. Behind its launch are leaders of the Transportation Brokers Conference of America (TBCA), who see TIA as an umbrella group for TBCA and other groups representing various third-party segments.

TIA's withdrawal of its affiliation proposal capped a series of ironic twists and

turns.

TBCA president Donald Sooy had been on the steering committee that formed ALMA, then left the latter because he felt the organizations' interests were too disparate.

At the ALMA gathering, he was one of a pair of TBCA-cum-TIA officials to urge that ALMA be a TIA-member group. The other was TBCA executive director Annette Petrick.

And again, he and Petrick eventually concluded that it would not be a good fit.

"We have a number of philosophical differences," Petrick told ALMA officers and directors at the end-of-conference board meeting.

"We're both in the process of evolving," she added. "There may be a time in the future when we can reconsider."

"You have a ways to go as far as unanimity, in terms of which direction you want to go in. ... We wish you nothing but the best," Sooy said.

ALMA leaders, while surprised by the TIA leaders' change of heart, still did not seem terribly disappointed by it.

They had voiced some doubts during the first round of discussions, particularly over how dues would be collected and divided, and over how much autonomy TIA would give its component organizations.

Meanwhile, ALMA and TIA plan to remain in contact. ALMA first vice chairman Mark Goss and board member Carl Lappke agreed to serve as a two-person committee to maintain a liaison with TIA.

Sooy and Petrick said they are planning

TIA's official launching next March in New Orleans.

Other organizations that declined to merge, or at least share office space and facilities, with ALMA were the American Trucking Associations Logistics Council; the National Industrial Transportation League; and the Freight Forwarders Council of America.

The ATA unit and the forwarders group were simply not interested, Dodd said.

The NIT League was trying to effect a quick, sharp separation from the third-party logistics industry, he said.

After welcoming third-party firms as regular members, NIT League leaders became worried that they would soon outnumber shippers in the organization and are thus "retreating" from any possible ties with the third-party industry, he explained.

ALMA Officers. Bob Walters, vice president of National Freight Management in Anaheim, Calif., was reelected chairman of ALMA.

Also re-elected were first vice chairman Mark Goss, ELCO Freight International, Los Angeles; second vice chairman Philip G. Deely, Innovative Logistics, Fort Mill, S.C.; and secretary Gregg A. Troian, Pittsburgh Logistics Systems, Coraopolis, Pa.

The new directors are Jack Staton, National Logistics Corp., Naperville, Ill., who is also treasurer, and Nelson H. Maier, Consolidated Traffic Management Services, Duluth, Ga.

The board also implemented a series of dues increases that rank-and-file members had approved. Under the new schedule, firms qualifying for regular membership pay \$450 a year for the first person and \$200 for each additional person. Those amounts rise from \$200 and \$100, respectively.

Companies taking associate memberships in ALMA must pay \$550 per person annually, up from \$300. ■

Brokers, Forwarders & NVOs

By Richard Knee, (415) 495-6748, FAX (415) 495-6750



When a 'sweatshirt' isn't

Those garments you imported look and feel, for the most part, like sweatshirts; certainly, they have the napped-fabric inside characteristic of sweatshirts.

But each has collar opening that requires buttons or a zipper to close it and keep out the cold.

That makes it a jacket, in the eyes of U.S. Customs Service officials.

And the distinction is one of literally hundreds of which importers and customs brokers need to be aware because of the tariff classification implications, a pair of commodity specialists from Customs' San Francisco district office told brokers at a recent workshop.

Customs pays especially close attention to apparel imports not just for duty-amount reasons but also because of quota restrictions and visa requirements peculiar to that commodity group.

Factors such as material composition, construction, envisioned use and intended wearer determine the "essential character" of a garment, commodity specialists Sylvia Schwartz and Susan David noted.

But occasional variances generate confusion, they said.

Men's boxer shorts are a prime example. Normally, they are considered underwear, but recently, some teen-age girls in Los Angeles started sporting their fathers' boxer shorts as outerwear at the beach, so it was suddenly a fashion trend, Schwartz recounted.

Broker carelessness also causes problems, Schwartz and David said.

For instance, garments imported as "folklore" items, which are subject to quota, must be listed on their accompanying release document (3461) with an "F" in front of the tariff number, and brokers often fail to keep the "F" designation affixed when transferring the tariff number to the electronically filed entry (7501), they said.

"There is no room for any error with quota (merchandise)," they said.

Weise continues mending fences

When U.S. Customs Commissioner George Weise spoke at the annual Western Cargo Conference (WESCCON) in late October, he devoted a good deal of his address to mending fences with the customs brokers.

Weise did not make a scheduled appearance at last year's WESCCON. He was furious over the then-recent refusal by the brokers' national association to support the Customs Modernization Act.

The brokers objected to a provision that would permit the electronic filing of import entries with Customs from anywhere in the country, regardless of where the cargo enters the country.

The Mod Act eventually made it through as a rider to the bill affirming U.S. participation in the North American Free Trade Agreement.

"I want to start by apologizing for not being here last year," Weise said in his keynote address at this year's WESCCON.

In fact, in the face of several "assaults" on his schedule, he reiterated several times his intention to attend the conference, he told the brokers and freight forwarders.

With Customs revamping its structure and modernizing its

information systems, the agency wants the trading community to participate at the "front end" of the process, he said.

"Our fundamental focus is to design systems from the beginning to meet service standards ... that we are going to work out with you," he said.

Later in his speech, Weise acknowledged the tinge of a bitter taste that brokers have from the iron-fisted regime of William von Raab, who headed Customs during the Reagan Administration.

"We must resolve our problems by working closely together. We have some credibility problems, I guess. We have not been able to show you that we are there for you," he said. "As we move to try to implement the reorganization ... I hope we can find a way to move forward in a spirit of cooperation. We are not out to do you in."

A broker-turned-trader's perspective

Technological improvements, regulatory change and quality-control issues will increase the number of importers who do their own customs brokerage, a broker-turned-trader predicted.

The trader requested anonymity. He described himself as an import/export specialist for a beauty-supplies firm, who worked in customs brokerage all his life until last summer.

Remote entry filing — the authorization to file import entries with Customs from any location, regardless of where a shipment enters the country — is a major reason importers will do their own brokerage, the trader said.

While the technology for remote filing exists, Customs could not implement it until passage of the Customs Modernization Act.

Another driver of the in-house brokerage trend is that brokers are in many cases ill equipped to do their job, the trader said.

In the short time he has been in his current job, he has learned twice as much as he did in his entire brokerage career, he said.

One area in which brokers fall short is knowledge of product line, he said.

"Customs brokers in some ways should be more specialized ... by commodity," he said.

Why did he request anonymity?

"I am (perceived as) an enemy to the people who are here," said the trader, who spoke with *American Shipper* at WESCCON. "I am not an enemy. I am a result of the problem within the brokerage industry."

Circle is bullish on South Africa

When Peter Gibert, chief executive officer of the Harper Group, shared the dais with a pair of major competitors at WESCCON, he was fresh (or maybe a bit jet-lagged) off a flight from South Africa.

With that country under democratic rule, Harper has revived its activity there after a six-year absence, and the company sees huge potential for Johannesburg, the capital city, as a distribution hub for the sub-Saharan region, said Stuart O. Keirle, chief operating officer for Africa, the Middle East and Asia.

Harper has purchased a 25 percent stake in Circle Freight International South Africa, which Harper owned entirely until selling it in 1988 to a corporation called Barlows, said Keirle, who accompanied Gibert on the recent trip.

Harper's operating unit, Circle International, is teaming up with the South African firm to help companies there find buyers abroad, he said.

Probably the most immediate markets are India and the Middle East, and Europe, Asia and North America also offer tremendous potential, he said.

Cultural and language differences make South America an unlikely market, at least in the near term, he said.

While diamonds are the product that one associates most readily with South Africa, that country has developed myriad other industries, particularly during the period of its economic isolation, Keirle noted.

Big-volume items include foodstuffs, paper-manufacturing machinery, engines and armaments as well, he said.

In addition, South Africa has excellent transportation and communications infrastructures that position the country to serve as a distribution hub, he said.

"The telephones work there, and the roads are excellent," he said.

In fact, Caterpillar and 3M Corp. have established regional distribution centers in Johannesburg, he said.

At the same time, neighboring countries need to develop their own infrastructures, he said. For instance, trucks must travel a "tortuous" route from Johannesburg to Nairobi, Kenya.

Harper/Circle faces some stiff competition, Keirle acknowledged.

Europe maintained trade relations with South Africa during the apartheid regime, and European companies remained active there, he noted.

"America has a lot of catching up to do," he remarked.

In brief...

FORWARDER-CARRIER AUTOMATION. The National Customs Brokers & Forwarder Association of America is conducting a series of seminars around the country through yearend to encourage forwarders to establish electronic communications links

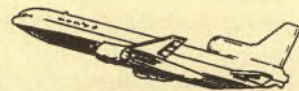
with ocean carriers. The seminars are part of a cooperative effort with a nine-carrier group called the Information Systems Agreement. Paul F. Wegener, executive vice president of New Orleans-based M.G. Maher & Co., chairs the NCBFAA's forwarders' automation committee.

EXPEDITORS INTERNATIONAL. Expeditors International of Washington state has appointed Mario Alfonso managing director of Latin America and Angell Lu manager of China development. Both are new positions. Alfonso, based in Miami, has more than 20 years in forwarding. Before joining Expeditors he was president of Stair Cargo-Intertrans. Lu, based in San Francisco, is responsible for initiating and developing business relationships with emerging and leading growth companies in northern, central and southern China. Expeditors and a Beijing city government subsidiary have formed a joint venture that is operating eight offices and international service centers in China.

'ISO 9002' FOR KOG. KOG Transport AG, ZUG, of Switzerland, has received ISO 9002 certification from the International Standards Organization. That company and New York-based Kog Transport, Inc., are members of the Dacotrans Group.

SCHENKER PROMOTES THREE. Schenker International has promoted Alex Kaczmarek Jr. to corporate director, outbound ocean operations; Anke Wandel to director, European ocean inbound operations, and Ambiga Todaro to director, Far East ocean inbound operations. Kaczmarek, based in Chicago, has been with Schenker for nine years, the last three as national sea cargo coordinator. Wandel joined Schenker in 1988 as gateway manager, NVOCC traffic, and later was named New York export manager. Todaro, based in Los Angeles, has been east gateway manager since 1992.

Air Freight News



Apple tests electronic packing slip

Apple Computer is testing a Skyway Freight Systems "electronic packing slip" that combines transportation data with the electronic Advanced Shipping Notice.

Skyway, a subsidiary of Union Pacific Corp., said the system can benefit shippers and consignees.

An Advanced Shipping Notice, or ASN, is the electronic notice that goods have been shipped. Consignees now receive ASNs from shippers in separate transmissions from delivery details provided by transportation companies.

The consignees have to reconcile that information, and often the two don't get matched up promptly.

By receiving the ASN data and transportation data at the same time, they can better plan for deliveries and gain better control of their inventories, said Ray Lutz, Skyway's senior vice president of sales and marketing.

Lutz said the system allows consignees to specify the order in which they want goods delivered — giving priority to particular items in a large mixed shipment.

For shippers, Lutz said, the system will help by providing a single point of contact through Skyway, instead of connections with thousands of consignees.

Skyway said that after the tests by Apple were completed, the system would be offered to other customers by year-end.

Apple said it was pleased with early results of its tests of the system. Combining the ASN and transportation data on a shipment will allow Apple to provide customers "with the information they need to track shipments and to manage inventory flows," a spokes-

man said.

"The ability to link shipping and transportation information also assures that the customers can more readily match invoices against product received, which will reduce billing reconciliation issues," the Apple spokesman said.

"I think it's going to revolutionize the whole idea of printing a packing slip," Lutz said. "Someone can look at this and see not only what's coming in but how it's getting there."

Adrian Dalsey, the 'D' in DHL, dies at 80

Adrian Dalsey, one of the co-founders of DHL Worldwide Express, died Oct. 10 at age 80. The name DHL came from the last names of Dalsey and his partners, Larry Hillbom and Robert Lynn.

Dalsey, who retired from DHL in the early 1980s, was described by Dean Christon, a spokesman for DHL, as a "hands-on" executive who had a global perspective and "the personality and will to overcome pitfalls."

When DHL was formed in 1969, its purpose was to provide door-to-door service between San Francisco and Honolulu. The airline's primary business was delivering bills of lading.

By 1971, DHL had expanded into the Pacific Basin region with its first location in the Philippines. It opened offices in Australia, Hong Kong, Japan and Singapore a year later.

During the late 1970s and early 1980s, DHL established a presence in Europe (1974), Latin America (1977) and Africa and the Mideast (1983). It also entered eastern Europe and China.

Under the umbrella of DHL Worldwide Express, DHL Airways,

based in Redwood, Calif., covers the U.S. and DHL International, based in Brussels, covers the rest of the world.

Varkonyi, Fogarty named to Emery positions

Irvin S. Varkonyi has been named manager of government international logistics of Emery Worldwide and Robert J. Fogarty has been appointed director of sales for Latin America, Mexico and the Caribbean.

Varkonyi began his airline career at KLM Royal Dutch Airlines in 1978, where he rose to regional cargo sales director. He joined Martinair Holland in 1988 as vice president for Americas cargo sales, a post he held until joining Emery.

In his new post he will be responsible for coordinating Emery's government contracts and other services.

Emery has a 10-year, \$880 million contract with the U.S. Postal Service to operate a 22-aircraft dedicated fleet for the Postal Service's Eagle network, moving overnight express and priority mail. Emery also is the primary carrier for time-sensitive international packages weighing up to 150 pounds for the Defense Department's Air Mobility Command.

Fogarty, based in Miami, has 20 years in sales, marketing and management in Latin America and 12 years in air cargo. His most recent post was director of cargo sales for the Latin American division of American Airlines.

He started his career with Flying Tiger Line as marketing manager for Latin America in 1982 and rose to senior manager of international marketing for Latin American before joining American in 1990.

Lufthansa adds transatlantic cargo flights

Lufthansa Cargo said it will add seven weekly freighter flights to its winter schedule from the U.S., including additional flights from Chicago and Miami to Frankfurt and new DC-8F freighter service from New York to Cologne.

Through March 24, Lufthansa will increase its Boeing 747 freighter service from 22 to 24 flights a week from seven U.S. cities to Frankfurt.

The carrier also will add a five-times-a-week DC-8F freighter service between New York and Cologne. These flights will provide an additional 200 tons a week of cargo capacity, Lufthansa said.

Skyway appoints international trade services director

Skyway Freight Systems has appointed Sandra K. Dunlap director of international trade services.

She had been a private consultant since the early 1980s, most recently as president of The Cushing Group, a firm specializing in international trade and training.

Skyway, a subsidiary of Union Pacific Corp., is based in Watsonville, Calif.

Roadway Global Air adds San Juan, Austin flights

Roadway Global Air has added flights to San Juan, Puerto Rico, and Austin, Texas. Both flights will connect with the Roadway Global Air hub in Terre Haute, Ind.

American International announces expansion

American International Airways, a Ypsilanti, Mich.-based worldwide air cargo and passenger charter service, said it will add more than 1,000 jobs as a result of the recent purchase of 19 Boeing 727s and eight Lockheed L-1011s.

AIA said 746 jobs will be added at the company's Ypsilanti base and that staffing will increase by 247 in Oscoda, Mich., the company's maintenance division.

AIA also said American International Freight, the company's overnight freight service division, will move by October 1995 to Toledo Express Airport in Ohio.

AIA and American International Freight are owned by the Kalitta Cos., which also includes American International Cargo, a Phoenix-based scheduled air cargo service to the Pacific, and Kalitta Flying Service, a worldwide ambulance, cargo and passenger charter service.

Burlington Air reports \$22 million profit

Burlington Air Express reported third-quarter operating profit of \$22.2 million, an increase of 47 percent over the \$15.1 million reported a year earlier. Revenue was \$312 million, up 22 percent.

The Irvine, Calif.-based carrier credited a 20 percent increase in domestic volume for its 13th consecutive quarter of year-to-year growth in the domestic heavy air freight market.

International transaction volume rose 28 percent during the third quarter, with revenue increasing 24 percent. Burlington said intense competition continued to erode international profit margins.

During the third quarter, Burlington handled 315.7 million pounds of shipments, up from 256.3 million a year earlier. Revenues were \$146.1 million from domestic operations and \$165.9 million from international, compared with \$121.2 million and \$133.6 million a year earlier.

Burlington is a subsidiary of The Pittston Co.

Burlington opens offices in Mexico

Burlington Air Express has opened company-own offices in Mexico City and Guadalajara. Frank Alaniz has been appointed area manager for Burlington in Guadalajara and Mexico City. He reports to Greg Davis, director of Latin American operations. Brian Edlich, based in Miami, will remain international manager for Mexico, the company said.

Emery named domestic carrier for Herman Miller

Herman Miller, one of the largest office furniture manufacturers in the U.S., has named Emery Worldwide its sole domestic carrier for air freight shipments of 10 pounds or more.

The Zeeland, Mich.-based furniture company has manufacturing and distribution facilities in California, Texas, Georgia, Michigan and North Carolina.

The multiyear contract, valued at more than \$1 million, is expected to double the annual freight handled by Emery for Herman Miller's domestic network, the air carrier said.

The contract calls for regularly scheduled pickups and deliveries at all Herman Miller distribution and manufacturing facilities. The shipments include freight such as entire office cubicles, free-standing desks and panels, with shipments ranging up to 5,000 pounds.

Kintetsu opens office in Sao Paulo

Kintetsu World Express (KWE), the Japan-based international air freight forwarder, has opened its first South American office, in Sao Paulo, Brazil.

The office is headed by Toshimitsu Shimada, who has worked in Kintetsu's New York and Miami offices. Shimada reports to Toshikhiko "Jose" Shimamoto, president of KWE's Brazilian subsidiary, KWE do Brazil.

The new office will initially concentrate on traffic from Japan and other Asian markets. Much of that cargo is shipped to the U.S., combined with U.S.-origin traffic and then relayed to Sao Paulo.

Challenge Air gets 'E' award

Challenge Air Cargo, a Miami-based all-cargo service between the U.S. and 15 cities in Latin America, has been named to receive the President's "E" Award for excellence in exporting.

Challenge operates 340 flights a month between the U.S. and Latin America and last year transported more than 100,000 tons of air freight.

Rising turbulence on air cargo

Rates and capacity are the issues in meeting FAA Stage 3 noise reduction requirements.

By Chris Gillis

With the retirement of many wide-body aircraft for narrow-bodies, shippers and forwarders worry about rising cargo rates.

In order to meet Federal Aviation Administration noise reduction levels, the airlines have had to retire old aircraft or upgrade the engines. In addition to recent retirements, over 100 DC-10s and B-747s will be retired by 1997, airline officials say.

Shippers anticipate that rates might increase with the shift to smaller aircraft. Narrow-bodies hold much less cargo in their bellies than the wide-bodies.

Some wide-bodies will be moved over to international flights. Therefore, some cargo carriers believe that rates will remain stable on the international side.

Reality Or Illusion? In its annual report Boeing indicated that since late 1993, the U.S. airline industry has begun to return to profitability. The annual growth rate in domestic cargo is currently 6.7 percent.

Boeing outlined three aspects that have contributed to this recent growth in air cargo:

- Consolidation reflecting the trend toward globalization among all types of carriers.
- A parallel trend toward globalization in manufacturing and production.
- The continuing influence of deregulation and changing trade policies."

However, airline officials are talking about refocusing their marketing strategies. In order to stay competitive, the passenger airlines are going to have to "focus on the passenger side," while cargo carriers stay with cargo hauling, said David Wolverton, director of transportation logistics for Emery Worldwide.

Wolverton admitted that Emery had once tried to compete with integrated carriers for small package freight. The small packages could be squeezed between the extra space of heavy freight.

But Emery could not acquire the amount of envelope business to support that type of pick up and delivery service, Wolverton explained. "Heavyweight freight is where we are efficient."

"When you are trying to satisfy more than one group, you might satisfy one and dissatisfy the other," Wolverton said. "Com-

panies have to be careful about being all things to all people."

Capacity Awareness. Integrated and cargo carriers expect to absorb excess cargo from passenger airlines.

"We're going to be the beneficiaries of passenger carriers downsizing," Wolverton said.

Over the years, combination carriers have "discounted pricing (on cargo rates) very low," Wolverton explained. "It made it so we couldn't raise our rates for a long time."

United Parcel Service is constantly watching the market to evaluate its air cargo rates, said Ken Shapero, spokesman for the UPS Air Group. "It's impossible to tell the future."

Shapero noted that there is a "trend toward time definite delivery" in the small

package business. This will require highly automated value added systems, Shapero explained. He suggested there might be some mode blurring in the long term.

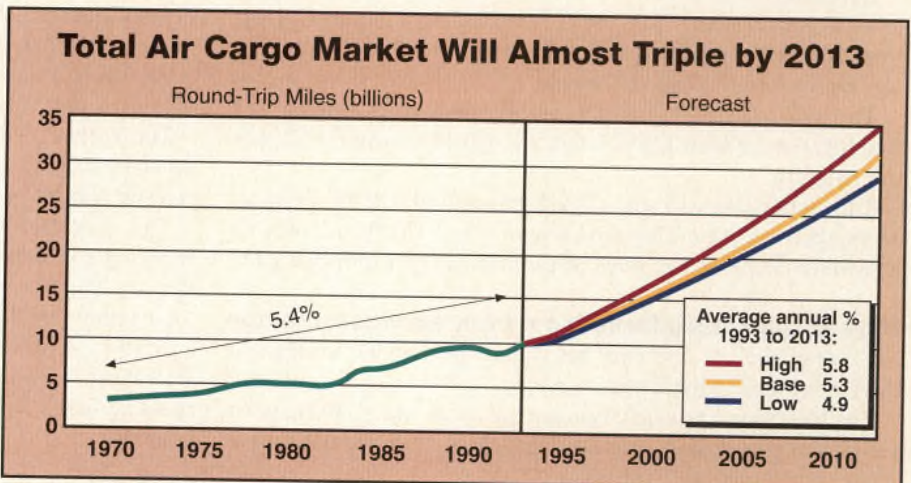
"There will always be a demand for air cargo service," Shapero said. "The issue is quality in meeting the customer's distribution needs. It's a good time to be a distribution customer" with all the competition, he added.

In order to meet the Stage 3 requirements, UPS has refitted its aircraft with Rolls Royce engines. Thirty 727s have received the new engines and 44 are expected to be converted by the end of next year. "We've given them new life," Shapero said.

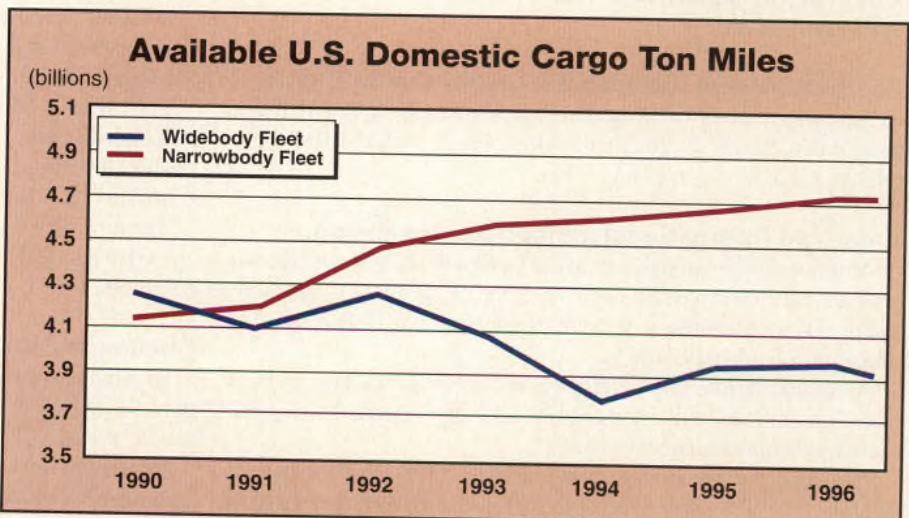
American Airlines has taken many old DC-10s off the line and replaced them with 767s and 757s.

Steven D. Leonard, vice president of sales and marketing for American Airlines' cargo division, does not foresee a capacity shortage for cargo in their fleet. "I wish we were absolutely full."

To accommodate cargo on the 767s, American Airlines purchased a pool of LD 8 containers. "It was a strategic move," Leonard said. "We took the initiative to purchase



Source: Boeing



Source: MergeGlobal, Inc.



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containers to fit the contour of the 767.”

There is about a 4 percent demand for upper deck capacity, Leonard explained, because of the growth in high quality trucking. Leonard also credited truckers for keeping the domestic rates stable. “They’re our biggest competitors.”

Rates Uncertain. Increased rates and less capacity for domestic cargo are the biggest concerns for most shippers and forwarders.

Robert Atwood, worldwide traffic manager for Conner Peripherals in San Jose, Calif., a distributor of disc and tape drives, protests the change in aircraft size for domestic routes.

“The airlines have to be more flexible by paying more attention to cargo,” he said.

Conner Peripherals can not afford to break up cargo because of the “sensitivity” of the product, Atwood explained. Atwood prefers to use the wide-body combination carriers. Integrated carriers charge him a higher rate. “I’m going for market share,” and lower prices helps me do that, Atwood said.

Even on the international side, Atwood worries about lack of DC-10 and B-747 wide-bodies. Backlogs of freight out of the Pacific Rim are a big problem, Atwood said. “There is a large need for additional freighter service out of the Pacific Rim.”

Dick Morris, chief operating officer of Pilot Air Freight, does not see any problem in moving freight with trimmer aircraft. “There’s still more capacity,” he said.

Rates will remain stable, Morris commented. “We are still in a very competitive environment.”

Texas Instruments. Texas Instruments uses integrated and cargo carriers for its domestic shipments. The company does not foresee any capacity shortage domestically, said Larry Horton, manager of international traffic and distribution.

Texas Instruments would prefer to maintain wide-bodies internationally. If airlines go to narrow-bodies for international routes, Texas Instruments will have to pay more money, Horton remarked.

Greg Smith, vice president of The Colography Group, an Atlanta-based consulting group, expects “some rise (in rates) but not giant.” He predicts that trucking rates will hold down air rates.

Even if the integrated and full cargo carriers gain a larger share of the cargo business, there might be an increase of 2 percent in rates, Smith said.

“Rates are so low that they don’t support pure freighters,” Smith said. He added that there might be a possibility for capacity shortage in the future. ■

Profitability is the measure

American Airlines closes seven unprofitable cargo terminals.

By Chris Gillis

While celebrating its 50th anniversary in cargo services, American Airlines announced it was closing seven cargo terminals.

The terminals were declared unprofitable by American Airlines after a two-and-a-half year internal study to cut costs.

“The terminals are closed from a freight terminal standpoint,” said Steven D. Leonard, vice president of sales and marketing for the cargo division of American Airlines. Passenger flights to and from these locations, however, will continue.

Shippers will have to move their cargo from the terminated locations to the nearest American Airlines cargo terminal by truck.

The seven terminals to be eliminated from cargo service are Columbus, Ohio; La Guardia and Syracuse, N.Y.; Oakland and Sacramento, Calif.; Wichita, Kan.; and Milwaukee. American Airlines officials said

that these terminals were operating at a loss.

“If we can’t make money in a city, we will close the terminal,” said David Rogerson, manager of cargo operations of American Airlines’ cargo services. “We are not going to operate terminals at a loss.”

American Airlines would not disclose the amount of revenue saved from the cut terminals.

“Closings are just smart business,” said Brian J. McMenemy, vice president of cargo finance and automation. “Where we’re not making money, we have to figure a way to turn it around or get out.”

American Airlines contracts with trucking companies through Air Cargo Inc., a contract clearing house for the major air carriers. Trucking companies place bids for particular hauling markets with the airlines.

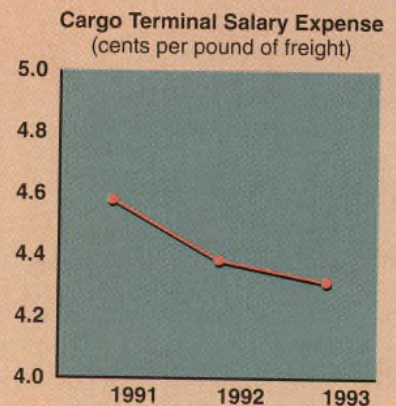
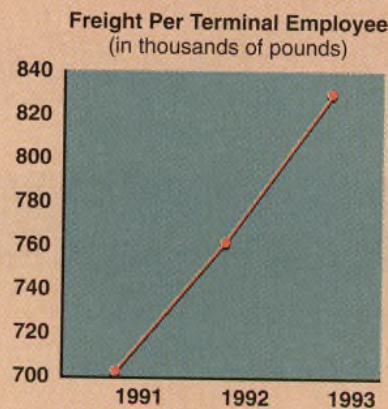
The reason for closing the terminals is “the efficiency and effectiveness of trucking” in those areas, Leonard explained.

Combination Carriers Net Freight Revenue (\$ millions)

1989		1990		1991		1992		1993	
UA	298.2	UA	327.1	UA	371.5	UA	401.9	AA	445.0
DL	243.3	AA	289.2	AA	325.3	AA	395.4	UA	425.7
AA	242.2	DL	263.7	DL	291.1	DL	346.8	DL	333.7
CO	142.4	CO	173.5	CO	183.7	CO	161.9	CO	143.8
TW	141.5	TW	135.3	TW	98.4	TW	91.9	US	82.9
US	50.9	US	85.4	US	87.4	US	84.1	TW	73.1

Source: American Airlines Cargo

American Airlines Cargo Terminal Productivity



Pounds (mils)	1,205	1,347	1,472
Employees	1,713	1,764	1,773
1000 lbs/emp	703	764	830

Salaries (\$ mils)	\$55.1	\$58.9	\$62.8
Freight lbs (mils)	1,204.9	1,347.5	1,472.1
cents/pound	4.6	4.4	4.3

Cargo will be routed by truck to nearby terminals. For instance, cargo that was originally moved out of the Columbus station will be trucked to Cincinnati, Leonard said. Shippers in the Sacramento area will have the option of moving cargo out of the San Jose or San Francisco terminals.

In the former terminals, American Airlines will still handle priority parcel service and mail along with its passenger service.

Burlington Air Express in Milwaukee will have all of its shipments trucked to O'Hare International Airport in Chicago. "It has not hurt us," said Chris LaBonte, export manager.

However, LaBonte told *American Shipper* that American Airlines' customer service has suffered due to cutbacks in its staff.

"We've seen some deterioration in customer service," LaBonte said. "American Airlines is going for the freight, but I don't know if they're going at it the right way."

Lost Jobs? American Airlines officials say there have been minimal layoffs from closing the terminals. Most of the labor was relocated or moved into passenger services.

"They're not happy with it, but they have to change," McMenamy said. He added that American Airlines has communicated with labor during the process.

"We don't like it," said Richard Scattone, president of the Transport Workers Union Local 501 at La Guardia Airport. "Even though they (American Airlines cargo handlers) have bumping rights, eventually someone will lose a job."

The trend in the airline industry is to contract work to outside companies, Scattone said. "They're thinking it's much cheaper," he added.

The Transport Workers Union will be negotiating its contract by January next year prior to its expiration in March. The union expects to confront an increased use of non-union labor by the airlines, Scattone said.

American Airlines operates 338 cargo terminals worldwide.

Trimming Headquarters. In September, AMR Corp., parent company of American Airlines, announced it hired the Boston Consulting Group to find ways to save money in its operations. The group estimates that \$75 million will be saved at the management level in American Airlines.

"There will be layoffs as a result of it," McMenamy said. "It's a small piece of a much larger plan."

Leonard explained that this was the way to achieve "low cost competition. We are totally reinventing headquarters." He added that \$750 million in revenue will be saved on labor throughout the entire organization. ■

Truck height limits are issue at JFK

Air cargo handlers seek easing of law that restricts truck heights to 13 1/2 feet on all New York highways.

By Chris Gillis

Air cargo handlers at John F. Kennedy International Airport are complaining about strict enforcement of a New York state law that restricts the height of trucks.

The law prohibits the movement on state highways of trucks stacked above 13 feet, six inches.

JFK air cargo interests complain that the law penalizes them in competition with other airports that aren't burdened with such a restriction.

"JFK has a problem like no other place," said Robert Henning, director of terminal services at Polar Air Cargo.

Maximum pallet height for cargo in a Boeing 747 freighter is 118 inches, Henning explained. With the trailer, this pushes the height four to six inches above the law's requirement, he added.

The enforcement of the height law causes "significant delays and excess costs," Henning said. "It's hurt us."

One of Henning's main concerns is handling palletized cargo for Far Eastern shippers. Shippers in the Far East "want to maximize the cubic space" inside the aircraft for cost efficiency, Henning said.

This law makes it difficult to obtain business from the Far East, Henning commented. "One of the most frustrating things is that they don't have this problem in Chicago and Columbus."

State officials say the height restrictions are enforced for a reason. Several bridges around JFK have low overhead clearances under which trucks with too-tall loads can't pass.

"Open trucks are dangerous," said Bill Greenway, president of Airport Consulting Group, during a recent meeting of the Air Cargo Association at JFK. "Pallets do fall, if they're not stacked properly."

"I think we have to balance what has become a priority between the public good and the industry," said James E. McCaffrey, freight operations manager at Qantas Airways. "We have to follow the law."

However, McCaffrey remarked that shippers have delivered high pallets without incident, by using highways that do have adequate clearance.

The law — Article 10, Section 385, of New York state's traffic statutes — does allow shippers and truckers to obtain an

over-height permit that requires the truck to take a specific route to avoid low clearances, explained Clifford Speck, hazardous material specialist for the commercial vehicle safety bureau of the New York State Department of Transportation.

Speck said the state commissioner of transportation "would look at a request" from the airport community to adjust the height law, Speck said. The economic effects of the law will be a major factor, he added.

Perhaps the biggest problem for trucks around JFK is the Federal Circle bridge near the airport. "There have not been a lot of instances of hitting overpasses," Greenway said.

Nicolas G. Garaufis, counsel to the president of the New York borough of Queens, where JFK is located, said the problem is being reviewed. "But we have not ascertained the solution," he said.

Garaufis said his office has been in contact with the Port Authority of New York and New Jersey and the New York state government about the issue. ■

Nippon Cargo opens JFK terminal

Nippon Cargo Airlines has opened a \$43.5 million cargo terminal at John F. Kennedy International Airport.

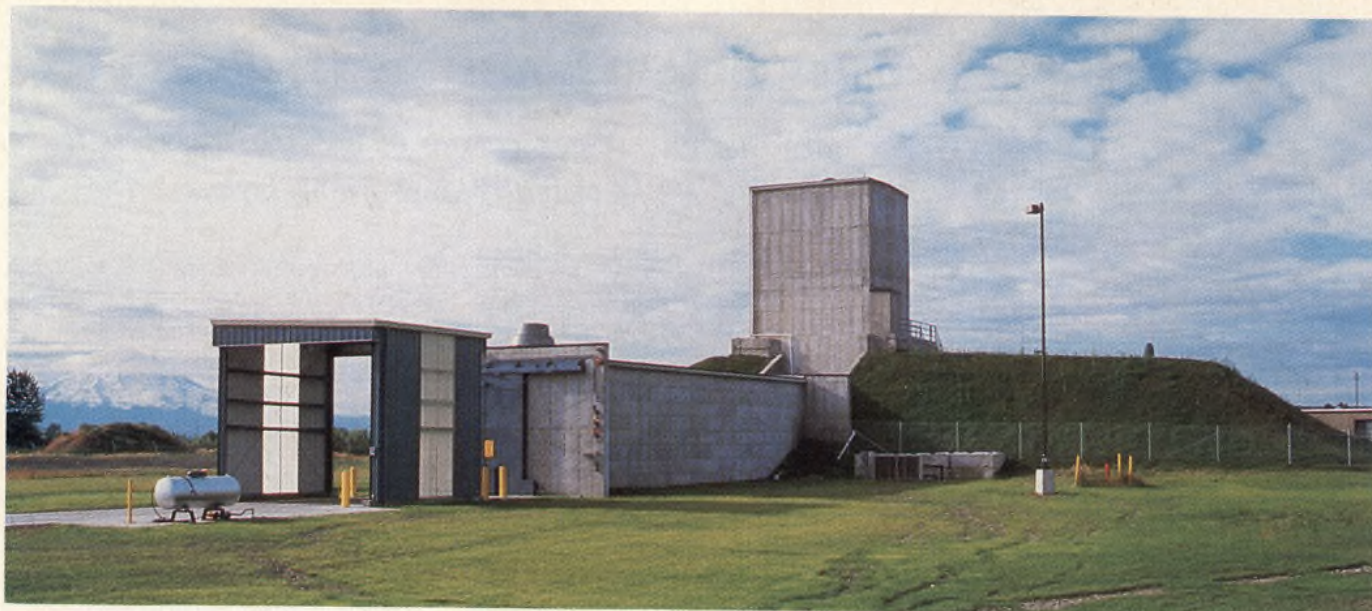
Nippon Cargo Chairman Takeo Hori presided over the dedication ceremony for the new terminal, which has 175,000 square feet of warehouse and office space on a 15-acre tract.

The terminal was financed with \$43.5 million in New York City Industrial Development bonds.

The terminal, Building 79, is off the North Boundary Road in the airport's North Cargo area. It has parking positions for two 747 freighters, 18 truck docks, and an automated pallet storage and handling system that can accommodate more than 200 pallets.

Nippon Cargo Airlines, Japan's only all-cargo air carrier, began operations at JFK in 1985 with two scheduled 747 freighters operating six round trips per week between New York and Tokyo's Narita airport.

The airline now operates six freighters that make 11 round trips per week between the U.S. and Japan, with additional service to Europe. ■



Giant X-Ray machine was installed in this building at Tacoma.

Look inside

X-ray machine shows what is inside trucks and containers, but Customs decides the cost is too high and will shut down installation at Tacoma. Meanwhile, machines are being put to use at two border crossings into China; the Paris airport; Le Havre and Hamburg. Mideast authorities are interested.

By Joseph Bonney

Containerization has added efficiency to shipping, but also has made it easier for smugglers to hide drugs and other contraband from the Customs Service.

So Customs, together with a high-tech agency of the Defense Department, is trying to develop ways to use X-rays to look through the steel walls of a 40-foot box.

The agencies have tested a system at the Port of Tacoma that zaps containers with 20 million electron volts of X-ray power — about 100 times what your briefcase gets at airport security.

It works, but the cost is high in relation to results, and the Tacoma facility is being shut down this month.

Another system, using lower voltage and a backscatter technology that bounces X-ray signals off objects, is being tested on tanker trucks and trailers at Otay Mesa, Calif., near San Diego.

Meanwhile, the Defense Department's Advanced Research Projects Agency (ARPA) has awarded several contracts for development of a variety of other systems to X-ray containers and smaller shipments.

It will be years before X-rays of containers

become common, but officials at Customs and the Defense Department see promise in the use of X-rays for cargo inspection.

Separately from the U.S. government-sponsored efforts to develop systems for X-raying containers, private companies have been developing systems for use elsewhere.

The technology used at Tacoma also has been used at two border crossings in Shenzhen, China; the Port of Le Havre and De Gaulle airport in France; and at both ends of the English Channel Tunnel for screening trucks.

Another system, with Heimann Systems of Wiesbaden, Germany, as system integrator and Siemens Medical Systems of Concord, Calif. providing the X-ray accelerator, is scheduled to open next spring at the Port of Hamburg.

Siemens officials also report interest in the Mideast and in Southeast Asia, where there is interest not only by government authorities but by commercial interests wanting to ensure that containers are loaded with what they're supposed to contain.

As always, the speed at which the technology spreads will be a function of how widely the systems can be used, and how much they cost. "At the right price, there is a market for

this," especially if it can be designed for commercial use as well as law enforcement, said Raymond Mintz, director of Customs' office of enforcement support.

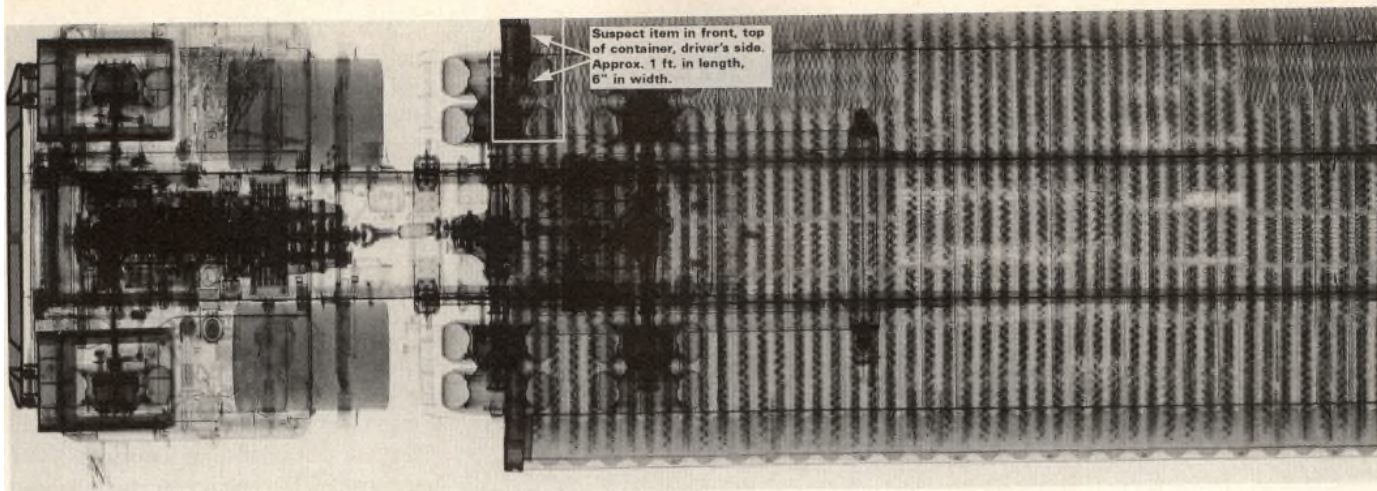
Bigger Job. Customs operates about 150 X-ray systems of various types for examination of pallets and smaller shipments. But X-raying a 40-foot steel container requires a bigger, more powerful system.

The Defense Department got involved in research on a container X-ray system a few years ago when Congress decided the military had the money and expertise to help wage the war on drugs.

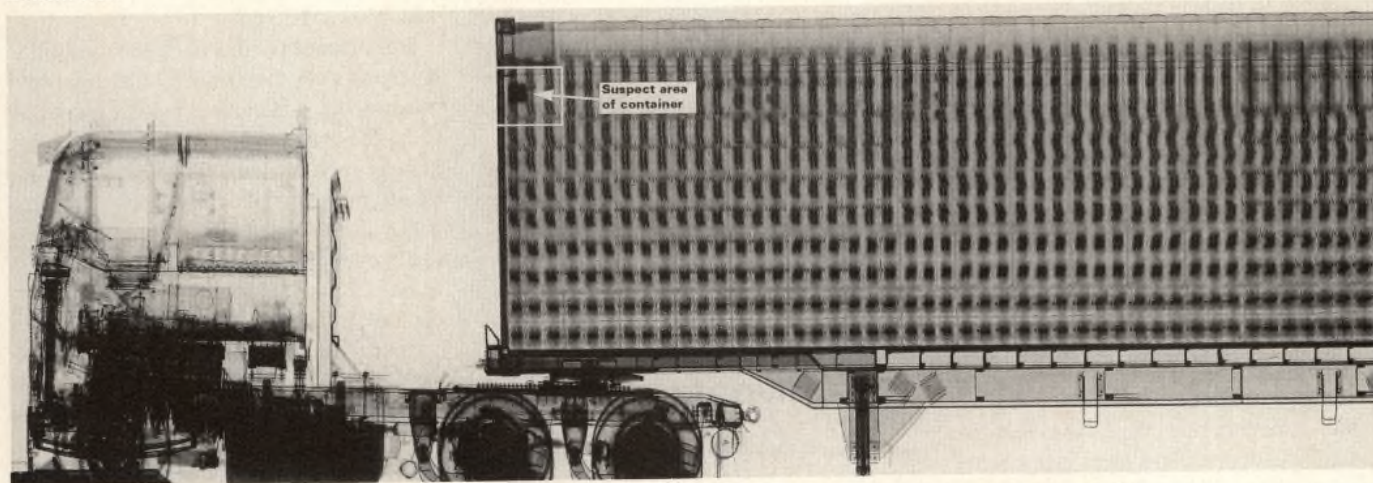
ARPA, the Defense Department's central research and development agency, enlisted contractors to develop X-ray systems capable of examining an entire container.

That system has been tested at Tacoma since earlier this year.

The Tacoma system was developed jointly by several companies. Analytical Systems Engineering Corp. of Burlington, Mass., is systems integrator and site operator. Siemens supplied the linear accelerator, an industrial product based on hospital medical systems; Heimann Systems supplied the detector arrays and image-processing analyst worksta-



Bottom view



Side view

Plastic toys from People's Republic of China listed on manifest as tools.

tions, and Automated Handling Systems of San Francisco provided the data processing and archiving systems.

Tacoma Test. The Tacoma system is housed in a shielded chamber through which chassis-mounted containers are rolled slowly. A 40-foot container can be scanned in less than a minute. The boxes are simultaneously X-rayed from the side and from the floor.

The X-ray images are converted to digital gray-scale values that are displayed on large, high-resolution monitors similar to those used in hospitals for diagnostic imaging. Analysts then can use image processing tools to determine what's in the container.

The images are near photographic quality. "Very, very, very clear," Mintz said. "With that kind of energy, it's blowing through the steel walls as if they didn't exist."

In simulated shipments, the X-rays have spotted small items such as a two-pound bag of sugar or a handgun concealed among the contents of a 40-foot container.

Indeed, one question Customs is asking is whether the X-rays provide so much detail that they inhibit rather than aid the identification of contraband. "There's a trade-off of information and time and the

likelihood of a right decision," Mintz said.

On the simulated shipments, the system recorded a 92 percent accuracy rate in identifying the presence or absence of contraband in containers and vehicles, according to tests developed by Analytical Systems Engineering. Customs, which uses a different measurement formula, calculates a 72 percent accuracy rate — lower, but still a good percentage, Mintz said.

Cargo, Humans. Although X-ray technology requires precautions to protect humans from excess doses of radiation, it does not damage the cargo, Customs officials say.

The Tacoma system hasn't been used for foodstuffs, medicines or the like because the Food and Drug Administration hasn't gotten around to approving it. However, Mintz said, "We've had a lot of people tell us there is no residual radiation."

Humans are kept out of the X-ray chamber while the container and chassis are rolled through. "We'd prefer not to have a person go through it, but it wouldn't kill them as long as they kept moving," Mintz said.

During preliminary tests last spring, before the system was used on commercial cargo, simulated shipments of more than 40

different commodities, ranging from frozen chicken and green coffee to bales of recycled cardboard, were X-rayed after being stowed in containers by Customs staffers.

The Defense Department has leased the Tacoma system from the suppliers and is paying the \$2-million-a-month operating costs.

But although the test has worked well, it probably will end when the current funding expires in December. The Tacoma site is scheduled for demolition in February.

Customs said that despite the system's effectiveness, it doesn't appear to provide enough bang for the buck to justify Customs picking up the operating costs.

One reason is that Tacoma isn't a hot spot for smuggling of drugs and other contraband — none was found in the approximately 60 commercial loads that were examined in the first two months of tests on commercial cargo. Another is that the system, which includes a 220-foot-long X-ray building in an eight-acre complex that's separate from the regular Customs inspection station at Tacoma, can't be moved.

Customs hopes ARPA's current contracts will yield new designs that are cheaper, smaller and more mobile. ■

Deferred (time definite) delivery

Second-day air service growing. Carriers will have trouble making rate increases stick.

By Bruce Vail

Price has always been the issue between air carriers and air shippers and that's not going to change anytime soon. With air express shipments costing anywhere from 10 to 15 times as much as alternate modes of transportation, shippers will continue to do whatever they can to keep costs down, according to Robert Brazier, president of Airborne Express.

That means a mixed outlook for the immediate future of companies like Airborne, Brazier and two of his competitors told the annual meeting of the Council of Logistics Management (CLM).

The volume of freight moving through the air is climbing, particularly for international shipments, but pricing trends largely favor the shipper over the carrier, they said.

"I hope we have hit rock bottom now," on pricing, Brazier said.

The comment, however, made clear that he was less than certain rates had reached their lowest level. David Beatson, president of Emery Worldwide and Douglas Kuelzman, vice president of United Parcel Service's airline subsidiary, weren't sure either.

In any event, none of the three companies is counting on a big rise in freight rates to keep their operations aloft. But higher freight volumes will help and improved service is viewed as the way to attract new customers and to hold on to existing business.

Time Definite. One trend that was clear to all three men was the increased use of deferred, time-definite delivery by American shippers.

Much overnight shipping by big corporate customers does not really require delivery in less than 24 hours, they said. What is required is guaranteed delivery within 48 to 72 hours. Shippers are now looking hardest at cutting costs by using cheaper second-day service whenever they can, the air executives said. This part of the business is growing rapidly, they agreed.

"We see more and more bids being solicited (by shippers) for second-day, time-of-day business," Kuelzman remarked.

This was confirmed by one large shipper in a separate discussion at the CLM meeting. Roger Wigen, a transport executive at

3M Corp., said his company was taking a close look at parcel shipments for delayed delivery. The trade-off between time and price is not always an easy one to calculate, he suggested, but 3M wants to cut spending on air shipments and this is one of the options being examined.

International Rates. Although there was some disagreement about the trends in domestic air freight prices, the three carrier executives seemed to agree that international air freight prices showed no signs of heading upward.

If deferred delivery gains in popularity, truckers will be competing even more directly.

Volumes in international traffic are certainly rising. Kuelzman, for example, said current domestic business accounted for 65 percent of shipments, with international shipments accounting for only 35 percent. In another 10 years, those figures will be reversed, he predicted.

Higher volume is not likely to put a squeeze on capacity, however. One reason, according to Kuelzman, is that U.S. regulations on aircraft noise are forcing older, louder widebody aircraft off domestic lanes and onto international routes. Freight capacity in international lanes is already underused, he said, so additional capacity will only produce pressure to keep rates down.

But a larger capacity problem exists because many foreign nations continue to operate state-owned airlines that enjoy subsidies from their home governments, he said. United Parcel, along with a couple of other large carriers, is working hard in Washington to get international agreements to cut foreign subsidies, but this has been a long, hard road, he said.

Some progress has been made, such as moves by governments in France and Germany to privatize their state airlines, Kuelzman said, but there is still a long way to go.

(While on the subject of subsidy, Kuelzman took the opportunity to take a potshot at the U.S. Postal Service, one of UPS's biggest competitors. Revenues from first class mail are used to subsidize the postal service's express services, he asserted, which amounts to unfair competition from the government.)

Truck Competition. The same noise regulations that are going to force widebody aircraft off domestic routes should lead to higher domestic freight rates, said Emery Worldwide's Beatson. Over 100 widebody planes are scheduled for retirement by 1997 and most of the replacements will have much less cargo capacity than the widebodies, he said.

But Brazier at Airborne Express and UPS' Kuelzman were not confident that this would mean a big difference in domestic rates. Over-the-road trucking is already the biggest competition for time-sensitive domestic shipments and if deferred delivery gains in popularity, then truckers will be competing even more directly, they said.

As it is, Airborne moves about 30 percent of its shipments by truck, Brazier conceded under questioning from a member of the CLM audience. Emery's Beatson said that figure was about right for his company as well. At UPS Airlines, the figure is lower, about 16 percent, according to Kuelzman.

Forwarders. It is the practice of some air forwarders to charge shippers air prices for shipments that actually move over-the-road, some shippers have complained.

For this and other reasons the role of forwarders in the air cargo business looks to decline in the future, Beatson predicted. Two trends are converging that will forever change the role of forwarders in the air shipping business, he said.

Firstly, shippers are turning to third party logistics providers to handle matters traditionally left in the hands of forwarders. Currently about 15 percent of shipments handled by Emery are controlled by such third party providers, he said. He predicted this would rise to 40 percent by the year 2000.

Secondly, improvements in information technology will make traditional forwarders obsolete in many cases. For those shippers who do not choose third parties to handle shipping, the new information technology will allow them to easily bypass forwarders.

But forwarders are fully cognizant of this and many are in the midst of transforming themselves into full-service logistics providers, it was noted. ■



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Forwarders plan certification exam

They see it as a potential revenue-booster. NCBFAA to start testing an exam and certification program in January.

By Richard Knee

A nationwide group of ocean freight forwarders plans a six-month test of an examination and professional-certification program starting in January, and hopes to begin implementing the program fully in July.

Kevin Maloney, a Los Angeles-based forwarder-turned-consultant, has been guiding development and implementation of the program for the National Customs Brokers & Forwarders Association of America, which wants to raise levels of technical knowledge, competency and professional ethics among forwarders, including those who are not members of the organization.

The NCBFAA is looking at a similar program for air forwarders, said Maloney, president of CMFC Inc.

There is an additional motivation for a certification program: money. For a long time, forwarders have been looking for ways to boost their profits, and a professional certificate could raise the perceived value of their services, meaning they could increase their fees.

Maloney underscored this as he gave a progress report on the program during the 14th annual Western Cargo Conference (WESCCON) organized by the Pacific Coast Council of Customs Brokers and Freight Forwarders Associations, held at Incline Village, Nev. in October.

License, ISO 9000 'Aren't Enough.'

Getting the required license from the Federal Maritime Commission and gaining ISO 9000 certification from the International Standards Organization are not guarantees of top-quality service, Maloney and NCBFAA executive director John Hammon said.

"An FMC license doesn't mean you have knowledge of all the complex problems in the industry," he said. The only requirement for the FMC license is three years of experience in the ocean forwarding business.

It is possible that FMC will use an examination such as what the NCBFAA plans to administer as a basis for issuing licenses, Hammon said.

While shippers are starting to embrace "quality" systems such as the ISO 9000 series, ISO 9000 certification does not equate to quality, Maloney asserted.

"It will lock in mediocrity unless it's part of a quality program," he warned.

Knowledge, Street-Smarts. Those who pass the exam will be allowed to put "COF" — meaning NCBFAA-certified ocean forwarder — after their names on business cards and company stationery, Maloney said.

The "COF" designation will indicate that its holder has demonstrated certain levels of technical knowledge, procedural savvy and analytical skills, and has been in the industry for at least three years, including at least two years of full-time forwarding or documentation work.

"We will try to mirror the FMC requirement (for experience)," Maloney said.

At the same time, "grandfathering in" of long-time industry veterans is not planned, he said. They will have to take the test if they want certification.

Candidates will also have to have at least a high school diploma, and show English literacy and an above-average awareness of world geography.

The test will comprise between three and

five segments, administered over a four hour span, he said.

Maloney has also developed a study guide, though those wishing to take the test will not be required to buy it.

NCBFAA membership will not be required to take the test or to gain certification, he said.

50 Percent Pass Rate. The NCBFAA is aiming for a 50 percent pass rate on its tests and, accordingly, will grade on a curve Maloney said.

In this respect, the association will be more "generous" than the U.S. Customs Service, which targets a pass rate of 30 percent or less on its exams for customs broker candidates, he said.

The NCBFAA will give three versions of the test in order to inhibit collaboration between examinees, he added.

Even so, there is a chance that those undergoing the exam will leak its contents to colleagues who have not yet taken it, he said.

"Performance levels (among examinees) should go up as word of what's in the exam gets out. That's why we're grading on a curve," he said.

The biggest challenge for him was developing a flow chart of the standard, generic forwarding process, he added. ■

Customs revamp raises concerns

Despite assurances from top U.S. Customs Service officials that the agency's forthcoming reorganization (October *American Shipper*, page 68) will not lower the quality of its services, customs brokers at the annual conference of their West Coast associations remained skeptical.

The brokers are getting an opportunity to participate in the restructuring process.

"We want a lot of (customer) involvement. Some of it's starting already," Charles Winwood, Customs' assistant commissioner for inspection and control, told brokers at (WESCCON).

But time is running out. The Customs brass has told the reorganization teams to come up with plans by April, including time lines for implementation, Winwood said.

Following his keynote speech at breakfast on the first business morning of the conference, Customs Commissioner George Weise said the agency will "prototype" its Customs management center (CMC) concept in New Orleans and San Diego beginning in January.

Changing the 'Culture.' Key to making the organizational restructuring work is to change the "culture" at Customs, Weise

and Winwood told the roughly 300 brokers and forwarders at the conference.

Customs has maintained a "stovepipe" mentality, meaning personnel within a given unit cares about the success of just that part of the organization, Winwood said at lunch, a few hours after Weise spoke to the group.

That mentality has resulted in operational "breakdowns" and duplication of functions, Winwood said.

The new approach will be to assign "process ownership," in which a person or team will take start-to-finish responsibility for each task, he said.

From a customer-service standpoint, it will mean one-stop shopping, he said.

"There will be one (phone) number, one place, one person (for the importer or broker to call), regardless of the issue," he said.

In addition, Customs personnel underwent a special, three-day training session, conducted by the Juran Institute, in late October.

The institute is named for Dr. Joseph M. Juran, who along with Dr. W. Edwards Deming is credited with developing and teaching the business and economic principles that have enabled Japan to become an industrial giant.

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Goals. Customs has set very specific goals for both itself and the importing community to achieve by 1999, Winwood said. They include:

- Ninety-five percent regulatory compliance from those filing documents for the top 125 Harmonized Tariff System classifications, by volume.
- Collection of 99 percent of the import duties due to the government.
- Ninety percent accuracy in Customs' statistics.

Brokers Voice Concern. A pair of nationally prominent broker executives voiced concern over Customs' plans.

When Customs' CMCs and field offices supplant regional and district offices, some veteran but junior personnel might get "bumped" by senior officials displaced by the restructuring, said Arthur Litman, a former NCBFAA president.

That could slow efficiency at the CMC and field levels, in turn inhibiting the brokers' ability to serve their customers, said Litman, president of the Castelazo & Associates division of Tower Group International.

"We want to trust (Weise). We want him to succeed. We also are cautious. We want to see Customs increase its customer-service capabilities and not diminish them," Litman remarked.

"It will take a lot of marketing within Customs. I think that will be the biggest hurdle," commented NCBFAA treasurer Stewart Hauser.

NCBFAA president Michael Dugan lauded Customs' management for enlisting the support of the National Treasury Employees Union and its president, Bob Tobias.

The Department of the Treasury is Customs' parent agency.

The union's participation in the decision-making process was a source of concern, however, to Bob Coleman, president of the Columbia River Customs Brokers & Forwarders Association.

"How will that affect your ability to operate at each port?" Coleman asked Customs officials during a "West Coast Cross-Fire" session.

"In general, it will be a partnership," replied John Heinrich, director of Customs' Los Angeles district office.

Decisions will be the result of agreement between Weise and Tobias, who will meet regularly, Heinrich said.

"Like everything else," he added, "we don't know what the price tag will be. Give us a year and we'll see."

With the federal government due to cut 272,000 positions by 1999, Customs officials do not want their agency to lose an inordinate share of jobs, he said. ■

FMC may add more user fees

OMB wants the agency to charge for everything, Ming Hsu tells forwarders at WESCCON.

By Richard Knee

The Federal Maritime Commission might soon begin to charge user fees for its entire range of services, commissioner Ming Hsu told some 300 freight forwarders and customs brokers at the Western Cargo Conference (WESCCON) in Incline Village, Nev.

Acknowledging during a question-and-answer session that user-fee revenues from the FMC's Automated Tariff Filing & Information (ATFI) system have fallen "way short" of the projected \$750 million a year, Hsu said the Office of Management & Budget has asked the agency to charge fees for all its services.

During her speech at WESCCON in late October, Hsu said the commission will continue its vigilance of carriers' activities in the transatlantic, even though they have agreed to a variety of measures to loosen their grip on the market.

She also reiterated her refusal to take a position on whether a tariff-filing requirement for non-vessel-operating common carriers should be retained.

This was the 14th WESCCON, which is organized annually by the Pacific Coast Council of Customs Brokers & Freight Forwarders Associations (PCC).

Warning to TACA. Addressing WESCCON the day following the FMC's Oct. 21 decision to allow formation of the Trans-Atlantic Conference Agreement (TACA), Hsu warned that the action did not mean the commission would "step back, pat itself on the back and let the conference do as it pleases."

"Our decision not to prevent effectiveness does not constitute any kind of bar, should we find at a later date that the standards for injunctive relief have been met," she said. "It only means that they have not been met as of today. TACA will be subject to the same continuous monitoring as its predecessor (the Trans-Atlantic Agreement, or TAA) and, indeed, the conference is bound by the same rigorous period reporting requirements.

"In addition, by our action on (Oct. 21),

TACA's potential for anticompetitive behavior, especially the possible reduction in the quality of service to shippers and NVOs, has been rolled into the ongoing commission investigation of (the TAA), in Fact Finding No. 21," she said.

NVOCC Tariff-Filing. Asked by PCC counsel Peter A. Friedmann if the NVOCC industry should be deregulated and their tariff-filing requirement should be scrapped, Hsu responded this was not an issue that could be resolved at the FMC.

The requirement is part of the 1984 Shipping Act and it could be changed or eliminated only through legislation, she explained.

It was the same answer she gave when *American Shipper* raised the issue recently (October, page 67).

Asked at the time what position she would take if Congress solicited her opinion, she again demurred, saying the NVOCC community needed to reach a consensus on it.

Lukewarm Reception. One forwarder executive, queried later, was unimpressed by Hsu's remarks.

"It was the usual excuses: 'We have no money,' and 'It's up to Congress,'" the executive said. "They (commissioners) are appointed as the experts. They should be speaking to Congress more than we should."

Another member of the forwarder community was sharply critical of Hsu's comments regarding the FMC's decision on the TACA.

During her speech, Hsu pointed to a number of concessions that the carriers made to get permission to form the new conference.

"She made it sound like the TAA/TACA changes were FMC-driven. They were EC-driven," the forwarder community member said. EC, or European Commission, is the governing body of the multi-nation trading bloc known as the European Union. "The FMC had accepted the TAA without the concessions and would have accepted the TACA without them. It was the EC that went after them." ■

Standardized customer ID

Association of American Railroads nearly ready with coding system to accurately identify shippers' instructions.

By Chris Gillis

Because of the interchange of cargo between railroads, there are numerous problems with shipping and billing information. Misspellings and customer identification variations are the primary causes.

Railroads involved in the Association of American Railroad's Customer Identification File project are currently reviewing their customer bases for accuracy.

The goal of the association is to improve customer service for rail users and to encourage the rest of the transportation industry to join the service, said Jim Runyen, project manager of the association's Customer Identification File project.

Not Just Another Project. In late 1990, the association concluded that some form of a common customer identifier was

needed to improve the efficiency of moving rail cargo. The multitude of customer identifications was also incompatible with emerging EDI systems.

The association blames most shipping instruction errors on non-standardized alphabetic codes used in the industry.

The goal of this project is to replace old codes with universal number codes.

"Every transportation company has a code and they're all different," Runyen said. With numeric codes, Runyen explained, "the railroad will know who a shipment will

They would like to have the project ready for use by the first quarter of 1995.

be delivered to and billed to correctly."

When the project began, the association invited the entire transportation community to join. So far, 16 railroads and several ocean carriers have submitted their customer files.

Runyen would like to see the new codes operate like a automated bank card identification. "The intent is standardization," Runyen remarked. "We want everyone to use it."

Crunching Numbers. To build and maintain the Customer Identification File, the association hired ARI Network Services, a Milwaukee-based, provider of EDI services.

During the first phase of the project, the participating carriers submitted 1.2 million customer records. ARI found that many records were duplicates or error ridden. The carriers were told by the association to clean up their customer files.

By mid-November of this year, the association expected to have an initial database of nearly 600,000 customers, Runyen said. He added that the association would like to have the project ready for use by the first quarter of 1995.

The codes will be 15 characters, of which nine will be based on DUNS numbers from

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the Dun & Bradstreet codes. The DUNS codes have been selected to identify a customer accurately, said Runyen.

In addition to the DUNS code, a two-digit qualifier at the beginning of the code will serve for EDI interchange. A four-digit suffix added to the end of the number will define sublocations within a location, for instance, a department of a company, explained Karen Rogina, manager of database services for ARI Network Services.

A code will render the correct spelling and address information for a customer. If a parent company is involved, this information will also be provided. It is like "an electronic Yellow Pages," said Mark Koczela, vice president of administration for ARI.

"The file is in a creation phase," Rogina said. When the file is complete, subscribers of the network will use their EDI or the telephone to access ARI, she added.

ARI will provide a daily report of updates to the carriers by 2 a.m., so they can update their systems early in the day. In-process transactions will also be updated, said Rogina.

Railroads Supportive. The railroads invested nearly \$2.5 million into the Customer Identification File project, Runyen told *American Shipper*. Most of the initial users will be the railroads.

With a 40 to 50 percent interchange of moving cargo between railroad lines, many errors in shipping instructions and billing are caused by different spellings, said Bob Scharpf, director of marketing services for Norfolk Southern. "We need universal identification of customers."

Three EDI projects are also dependent on the Customer Identification File project. They are the Rate EDI Network, the Interline Service Management, and the Interline Settlement System.

"Getting them done error free depends on CIF (Customer Identification Project)," Scharpf said.

Scharpf views this as a positive move which will benefit shippers in billing and tracking their cargo. "This is going to fly," he remarked. "It's got the broad base support and the funding."

"Shippers are demanding better performance from the entire rail network," said Ann Thoma, corporate relations officer for Illinois Central. "One way railroads are working to satisfy these expectations of our shippers is through technology."

Carriers should jointly develop systems such as the Customer Identification File to bring industry closer together for "seamless transportation," said Thoma. "We want to make it error free." ■

Lighter ocean container to appear

Saves 4,000 pounds. To be completed next year.

By Chris Gillis

Stoughton Composites, in conjunction with Ultralite Corp., plans to introduce a lighter ocean ISO container by early 1995.

The container, made with fiberglass composite material, is said to cut the weight of steel containers by half.

Timothy J. Rhein, president and chief executive officer for APL Land Transport Services, announced his company's involvement in the project at the sixth annual Textile and Apparel Importers Trade & Transportation Conference in late October but gave few details.

Industry sources say that Genstar Container Corp. is also involved in the container's development. However, Genstar refused to comment.

Shippers of textiles may benefit from these containers because of their tight seals.

Shippers of heavier commodities, such as beer, would benefit from the lighter weight in filling more of a container's capacity.

Light Construction. "They won't rust or leak," said James G. Jimenez, executive vice president of Stoughton Composites and president and chief operating officer of Ultralite Corporation.

The composite container will be sold under Stoughton Composites. However, Ultralite holds the patents for its design and development. It will be initially produced in Broadhead, Wis.

It is made of "a high tech efficient material," Jimenez said.

Using a "pultrusion process," spun glass similar to polyester rope is pulled through a die, explained Jimenez. The structure of the container will be further strengthened by glass matting, he added.

"We can make them as strong as steel," Jimenez said. The addition of polymer resins and other additives can be added for more structural strength.

Jimenez said that there are designs for

the manufacture of 20- and 40-foot dry containers and 40-foot reefers.

The 40-foot composite container will weigh between 4,500 and 4,700 pounds compared to the heavy steel containers at about 8,500 pounds.

Aluminum containers will be the first target market for the composite container, Jimenez commented. But "it will take years to get into massive production," he added.

Another aspect of the composite container is its estimated 30-year life span compared to the six to seven year use of a steel container, Rhein said.

Limited Knowledge. "We would definitely be interested in composite containers," said Donna Arko, corporate transportation manager - international for Coors Brewing Co.

One of Coors' main trade lanes is from Memphis, Tenn., to San Juan, Puerto Rico. Aluminum containers are preferred for the trade lane, but they are being replaced by heavier steel ones, Arko said.

"We have to pull off some of our commodity with steel containers to comply with the weight restrictions in Puerto Rico," Arko said.

With the introduction of the composite container, Coors would ask questions about its availability and technical nature in relation to preserving the commodity in transit, Arko said.

"We've never heard of it (composite containers)," said Pam Williams, traffic coordinator for Masonite Corp.'s Hardboard Group in Towanda, Pa.

"We ship a heavy commodity," Williams said. Many of Masonite's 40-foot containers weigh between 43,000 and 45,000 pounds. They never fill a container to capacity because of the commodity's weight, she added.

"Whether it will have a place in our market, I have no idea," Williams said. "We would certainly try it." ■

Snow: transcontinental railroad likely

CSX chairman says if it happens, it will be result of pressure from shippers fed up with interchange problems.

By Joseph Bonney

Current moves toward mergers of major railroads could eventually lead to the first transcontinental rail carrier, says CSX Corp. Chairman John Snow.

The interest in mergers is "a response to shipper and market pressure," Snow said at the recent conference of the Council of Logistics Management in Cincinnati.

"I've never seen a fundamental, compelling rationale for the transcontinentals," Snow said. But he added: "That may be changing, and it may be because of shipper imperatives."

Shippers, especially users of intermodal service, are pressing carriers to eliminate delays and foul-ups at points where freight is exchanged between carriers.

"All of us in the railroad industry have pretty good control over our rolling stock through our information system when it's on our own system, but things tend to break down when they go through interchange," Snow said.

Unless railroads can solve those problems, "we will probably frustrate the intermodal developments," Snow said. If that happens, he said, "there is so much force behind the intermodal movement that it will probably break the logjam and bring about transcontinental mergers."

Although Snow declined to predict the eventual outcome of the current merger-and-acquisition maneuvering in the rail industry, he said the industry is going through "fundamental structural changes."

With the prospects of a transcontinental system, he added, old-time rail tycoons such as "Hillman and Harriman and Vanderbilt and J.P. Morgan ... would like to be around today."

Norfolk Southern. David R. Goode, chairman, president and chief executive officer of Norfolk Southern Corp., expressed similar comments to Snow's in a speech to the Massachusetts Institute of Technology's Center for Transportation Studies.

Goode said seamless service is the "Holy Grail of railroading" and is behind the current wave of railroad mergers, which he



"There is so much force behind the intermodal movement that it will probably break the logjam and bring about transcontinental mergers."

John Snow
CSX Corp.

said are aimed at improving service and efficiency "by consolidating assets and resources."

However, the Norfolk Southern executive complained that the Interstate Commerce Commission's lengthy review process discourages mergers "by imposing agonizing delays."

"This should be a reminder that the heavy hand of regulation still lies upon the industry and a caution to resist any attempts at re-regulation," Goode said.

He cited the rebound of U.S. railroads since deregulation, calling the turnaround "one of the greatest comeback stories of the late 20th century."

Goode said railroads' "decades-long decline in inter-city market share has bottomed out and ... will soon begin to rise. Indeed, my sense is it has already turned."

In the wake of deregulation, he said, "as we emerged blinking into the glare of competition, we learned fast what we had to do to win back lost traffic and to tap new markets."

Rates. Snow said tighter capacity in the U.S. railroad industry is signaling the need for more capital investment, which will have to be supported by higher rates.

He said the situation facing rail carriers and shippers is a reflection of basic economics.

"The market system is working pretty well in the rail business, as it is in trucking, to send us the signal that we ought to expand. Higher prices, for a while — I think that's probably the reality."

He said the constrained capacity "means the market is saying you need to attract more capital into the business. Yes, I think prices will tend to go up in the rail transportation business to ration scarce capacity and bring added capacity into the industry."

Current trends in the rail business reflect the market-driven nature of the railroad industry since 1980, when its economic regulation was relaxed under the Staggers Act, he said.

It took more than a decade for the industry to work off the excess capacity it had built up during a century of regulation, Snow said.

Now that growth has come more in line with capacity, market forces will compel carriers to add capacity, he said.

CSX Investment. Snow said CSX is spending \$1 billion this year on capital improvements, primarily to intermodal terminals, tracks and information systems, while continuing its drive to cut costs.

CSX expects to cut costs by \$150 million this year and an additional \$100 million next year. Snow said being a low-cost supplier is the only way to survive.

"You can have the best service, you can have the best information systems, but unless you can do it at a cost that makes you competitive in the marketplace, you might as well forget it because you're going to fail," he said.

CSX is using much of its capital investment to increase capacity for intermodal traffic, the fastest-growing segment of the rail business. The company is expanding or planning to expand intermodal terminals in Atlanta, Jacksonville, Chicago, New Orleans and Cincinnati. ■

Turning point for PLM

Once-struggling equipment management and leasing firm shifts 34 percent stake to 'friendly' hands, looks to expand.

By Richard Knee

Just two years ago, PLM International was deep in debt and its common stock was selling for about \$1.50 a share on the American Stock Exchange.

Now, the debt is half of what it was, the share price is hovering around \$3.25 and PLM's executives are looking for ways to "grow" the company.

San Francisco-based PLM manages and leases company-owned and investor-owned transportation equipment.

The rebound in the firm's financial fortunes is the result of a program that involved selling off "non-performing" assets and refinancing the debt, according to Robert N. Tidball, president and chief executive officer, and Janet M. Turner, vice president of investor relations.

Culminating the resurgence was the announcement, Oct. 13, that PLM was repurchasing almost 3.4 million common shares, at \$3.25 a share, and was retiring the remaining \$5 million of a subordinated debt that dated back to February 1988.

In addition, PLM is terminating its employee stock option plan, which will eliminate an annual preferred-dividend obligation of \$7 million.

'We Had a Problem.' "In early 1992, it was obvious we had a problem," Tidball told *American Shipper* recently.

"Our assets ... were over-valued, as far as book value, and were under-performing, as far as their contribution to the corporation. And we had too much debt.

"As a leasing company," he continued, "you hope to make some money when you own an asset. And when you sell it, you hope to do so at a profit. ... In general, when we sold our assets, we took a loss. And our tax basis was such that the sale actually produced a taxable gain."

A New Strategy. "We went to the (creditor) banks and told them we would adopt a new strategy," Tidball said.

That strategy involved ranking all assets in terms of profitability and designating the worst performers as "held for sale," with the stipulation that PLM would use the sales' proceeds to pay down its senior debt.

At the time PLM embarked on the program, in mid-1992, the debt was about \$90

million.

"We took a large write-down on those assets," he remarked.

Even so, the sales enabled the company to reduce the debt to \$37 million by March 31 and to \$31.5 million by June 30, he said.

'Investment Grade' Rating. PLM's fortunes got another big boost June 30, when it was listed as "investment grade" by the rating firm of Duff & Phelps.

This enabled PLM to get loans totaling \$45 million from three insurance companies, Tidball said.

The insurers would not have lent the

The company is focusing its attention on firms in transportation-service industries such as contract logistics.

money had PLM not been rated "investment grade," he explained.

Besides enabling PLM to retire its bank debt and have money left over, the new loan provided new flexibility, he continued.

Namely, the company may use the borrowed money to purchase assets, which it could not do with bank-lent funds.

"With the bank loan, if we were to buy a ship ... we could not use the debt, because the ship would then become additional collateral for our bank lenders," he said.

PLM also paid off subordinated debts of \$3 million in July and \$5 million in October. Both had carried interest rates of 14.75 percent a year.

Moreover, because the company bought the notes back at a 10 percent discount, it was able to save \$1.2 million over that three-month span, Tidball said.

PLM's stock repurchase brought an end to a protracted, bitter struggle with Transisco Industries, that had held 3.4 million of PLM's nearly 10 million common shares.

Transisco had split off in February 1988 from what was until then called PLM Co., receiving its stakeholding as part of the deal. Those shares went to a group of

Transisco bondholders when that company went bankrupt in 1991.

The bondholders and PLM were "initially adversarial," Tidball said. He would not elaborate.

With the repurchase, the stock is now in "friendly hands," he said. "Our days of corporate fighting are over."

PLM actually purchased 922,367 of the 3.4 million shares, Turner said. The biggest block, 760,000 shares, were acquired by HPB Associates, an investment management firm in New York; 735,000 shares were bought by David Skaggs, an investment management broker in San Francisco; and 950,000 shares was acquired by several independent investors, she said.

When the process of terminating the employee stock option plan is complete, it will add some 2 million common shares through conversion of preferred shares on a one-to-one basis, Tidball said.

That will bring to about 11.7 million the total of common shares and, more important, will knock out an annual expense of \$7 million that PLM has had to pay out in preferred dividends, he noted.

The employees have their preferred stock in accounts that have not been distributed to them, he said.

They will receive their shares in the preferred-to-common stock conversion, and their holdings will be tax-free as long as they are put into Individual Retirement or 401K accounts, he said.

"The timing of the ESOP termination, we hope, will be by the end of 1994. We want to terminate it as soon as we can, because it ends the dividend."

Looking to Grow. "Our new challenge is to employ the capital we have with the right assets or the right companies. We want to grow the company in a profitable manner and build the stock price back up," Tidball said.

PLM's shift into growth mode actually began last February, when the company purchased 80 percent of a small, Sydney-based firm, Aeromil, which has aviation storage, supply, maintenance, sales and leasing operations not only in Australia but in Austin, Texas.

"It's a good stepping stone for the aviation marketplace in Southeast Asia, where we think the best market is in the near-term future," Tidball remarked.

PLM is actively looking for other acquisition targets and intends to buy some additional equipment as well, he said. The company is focusing on firms in transportation-service industries such as contract logistics, transportation-equipment-leasing and financial-services, he said. ■

APC's profits decline

*Higher operating costs blamed for third-quarter dip.
Lillie expects more of same for rest of year.*

American President Cos.' profits and operating income for the third quarter and for the first nine months of the year declined, due chiefly to higher operating costs, the company said.

Oakland, Calif.-based APC, the corporate parent of American President Lines, said the drop in profits was cushioned somewhat by a 17 percent increase in the volume of cargo moving on APL's stacktrains.

The combination of profit-reducing and -producing factors is likely to remain in place for the rest of the year, said John M. Lillie, chairman of APC.

For the third quarter, ending Sept. 23, profits dipped to \$22.5 million, or 70 cents per common share, from \$25.5 million, or 80 cents a share a year earlier.

Operating income for the period fell from \$49.3 million to \$37.2 million. Revenues climbed from \$625 million to \$672 million.

For the first nine months, profits fell from \$58.9 million, or \$1.86 a share, to \$51.7 million, or \$1.60 a share. Operating income tumbled from \$100.9 million to \$88.9 million, while revenues edged up from \$1.8 billion to \$2 billion.

Lillie said the increase in operating expenses was due to trends and developments including:

- A 27 percent jump in per-barrel fuel costs.
- A rise in stevedoring costs, stemming from higher labor rates in Asia, from increased handling of China, West Asia and Southeast Asia cargo, and the continued decline of the dollar against Japan's yen.
- The dollar's weakening hurts APL and other carriers, because they collect revenues in dollars while paying for labor and other costs in other currencies.
- \$5 million in expenses during the third quarter relating to corporate initiatives to improve APC's financial and order-cycle processes.
- A 5 percent dip in third-quarter export traffic, due mainly to APL's loss of primary-carrier status for transpacific U.S. military dry cargo.

The boost in cargo traffic on APC's stacktrains reflected improved market conditions, equipment shortages by competitors and additional capacity resulting from the company's acquisition of 1,000 containers the first quarter of this year, Lillie said.

Other favorable developments included a 6 percent rise in the volume of U.S. import cargoes and a gain in per-unit revenues on the export side, both during the third quarter.

Fluctuations in APL's cargo volumes and revenues varied by segment.

Import volumes were up for both the

third quarter and the first nine months, but average revenues per 40-foot-equivalent unit (FEU) was down for both periods.

Export traffic declined for the third quarter but the nine-month total remained ahead of the year-earlier pace. Conversely, average revenues per FEU were up for the third quarter but down for the nine months.

Intra-Asia volumes for both time spans increased. Revenues per FEU dipped for the third quarter but rose for the nine-month span.

Stacktrain volumes increased in all categories for both time spans, as did average revenues per FEU. ■

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Ports may get big refunds

Cities had taken 25% of ports' discretionary reserves since '92.

By Richard Knee

A private citizen's lawsuit seeking to force California coastal cities to return money that they took from their respective port authorities has produced a settlement and a number of potential settlements, the plaintiff's attorney said.

At least two cities — San Francisco and Coronado — appeared set to dig in their heels, said attorney Richard Fine, who filed the suit Aug. 23 on behalf of retired trucking executive Raymond Veltman.

A status conference was scheduled Nov. 15 among all parties that had not settled by then, to determine how the case would proceed, Fine said.

The conference was to take place before Los Angeles County Superior Court Judge Barnett Cooperman, who specializes in class-action cases.

Suit's Genesis. Veltman's suit claims that the California Legislature and Gov. Pete Wilson violated a provision in the state con-

stitution when they enacted a law permitting coastal cities to take up to 25 percent of their port authorities' discretionary reserves during the 1992-93 and 1993-94 fiscal years.

Discretionary reserves refers to cash assets minus liabilities.

The constitutional provision, known as the Tidelands Act, mandates that revenues from the ports' operations go strictly to maritime purposes such as shipping and commercial fishing.

State Assemblyman Richard Katz, D-Los Angeles introduced a bill early this year to extend the Tidelands Act suspension past its scheduled "sunset" of June 30, but lobbying by maritime interests kept the bill from making it out of committee, and Katz did not try to revive it.

Settlement. The San Diego Unified Port District and four of the five cities abutting San Diego's harbor signed a settlement with Veltman in late October, Fine said.

The cities are San Diego, Chula Vista, Imperial Beach and National City.

While declaring that the cities took no money from the port during the Tidelands Act suspension period, the cities and the port district pledged in the settlement that from that time forward, no port money would go to the cities, Fine said.

Holdouts. The fifth San Diego-area city, Coronado, has refused to settle, as have the city and port of San Francisco, Fine said.

While he has not heard directly from San Francisco officials, the city and port have filed a response with the court, denying Veltman's contention that the Tidelands Act suspension violated the state constitution, he said.

Officials in Oakland, meanwhile, have filed a "general denial," certifying that the city did not take any money from the port during the period in question, he said.

At the request of Los Angeles city officials, Fine has prepared a settlement proposal that he sent to both Los Angeles and Long Beach city halls.

That proposal calls for all the cities and their port authorities to agree that the cities could keep the funds they took from the ports but that the money may nevertheless be spent as stipulated in the Tidelands Act; and that the cities take no additional funds from the ports. ■

What some ports are doing to cut costs is downright scary.

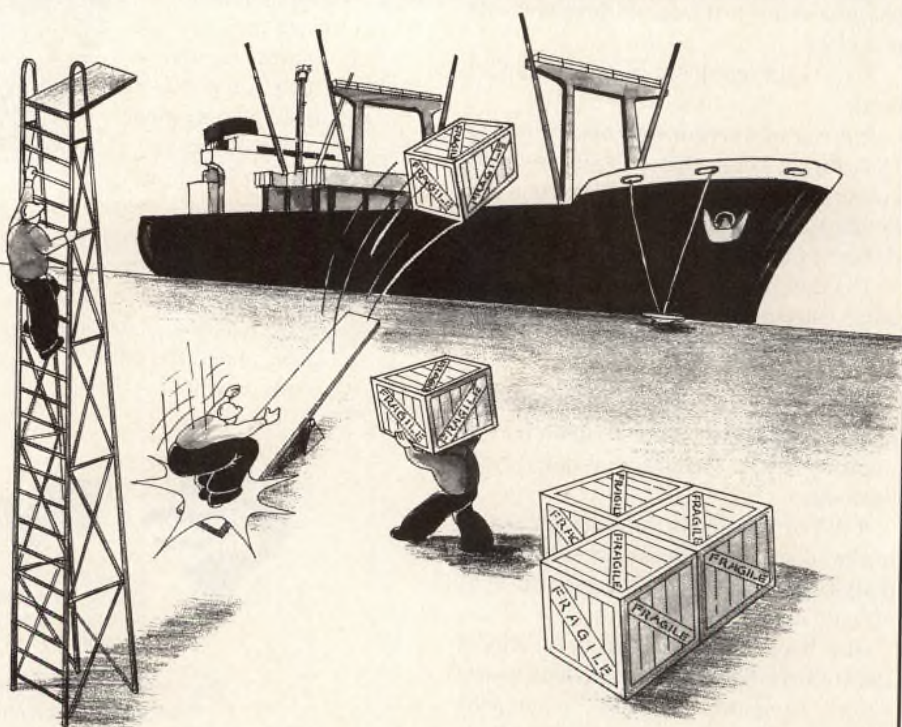
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Bay interests back dredge-law fixes

Coalition seconds AAPA call for cost-sharing and procedural reforms to un snag projects around the country.

Northern California maritime interests are echoing the nation's port authorities in urging cost-sharing and procedural reforms to get dredging projects under way.

Absent revisions to the 1986 Water Resources Development Act (WRDA), such projects will continue to meet blockages or at least delays, the Oakland-based Bay Dredging Action Coalition warned in a report released in September.

Though long-term deepening of Oakland's harbors and approach/departure channels finally got under way this year after 20 years of delays, the battle there and at other ports is far from over, the coalition says.

The Army Corps of Engineers is dredging the Oakland harbors and channels to a depth of 42 feet, but shipping interests say deepening by an additional three feet will be necessary if the port is to accommodate the next generation of supersize container ships.

The situation is not unique to Oakland, and the issues that stalled the current dredging project in San Francisco Bay — environmental concerns and funding — could delay or block additional deepening there and elsewhere, coalition spokesman Danny Beagle told *American Shipper* in a recent letter.

"Ultimately, (the current dredging work in the bay) required the direct intervention of both President Clinton and Vice President Gore," wrote Beagle, a partner in the consulting firm of Beagle Abernathy Mitchell.

What to do with material not suitable for ocean disposal remains at issue and "is the potential show-stopper" for dredge projects all over the country, Beagle wrote.

While there are disposal sites that "could be brought on line," how upland disposal sites are funded is a critical issue, he added.

The dredge-advocacy group says the solution is to amend the WRDA to permit federal/local cost-sharing for upland and "beneficial" uses of dredged material.

The WRDA now requires the Corps to pay 75 percent of the cost of "new construction" dredging and the entire cost of maintenance dredging work where sediments are deposited in the water.

But the act gives the Corps no authority to pay for land acquisition, rights of way or site preparation for upland or confined disposal, the coalition's report states.

"This places upland or confined disposal well outside the reach of most ports or other local agencies," the report states.

While upland and confined disposal are ordinarily more expensive than ocean disposal, the Oakland experience shows that burden lightens considerably over the long term when the environmental benefits of upland and confined disposal are included in the equation, the report states.

Beagle noted that an effort to revise the WRDA failed but is likely to resurface in the next Congress.

The pro-dredging coalition supports initiatives by the American Association of Port Authorities to revise cost-sharing procedures, but believes the AAPA's proposal does not go far enough, particularly in meeting northern California's needs.

The coalition is backing a proposal for state agencies to receive grants from the Corps, enabling them to identify, acquire, develop and monitor sites with capacity for at least 40 percent of all materials dredged from federally authorized bay channels. ■

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Mass. proposes harbor fee tax credit

Would reimburse in-state shippers for harbor maintenance fees on containers moved through state ports.

Massachusetts officials have introduced legislation to reimburse in-state shippers for federal harbor maintenance fees paid on containerized cargo moving through state ports.

The tax credit was proposed by a Seaport 2000 initiative that also calls for \$218 million in capital investment in ports, infrastructure and marketing of maritime facilities.

Under the proposal introduced in the Massachusetts Legislature, shippers could claim a credit on their state corporate income tax to offset payments of the 0.125 percent federal tax on the value of waterborne cargo. The tax credit would apply only to containerized cargo moving through Massachusetts seaports.

New England shippers have been among the loudest critics of the federal harbor maintenance fee, which was enacted in 1986 and tripled in 1991. They say the tax hits New England shippers especially hard because cargo to and from the region tends to be high in value. Port officials also say the harbor fee has caused diversion of container cargo to Canadian ports.

Advocates of the credit said it would help Lykes Lines' new all-water service between Boston and Mexico by making the service more competitive with truck shipment.

The proposed tax credit would cost the state about \$5 million a year.

"This is one of the most important steps we can take to improve our competitive-

ness and help our companies penetrate growing markets overseas," said Stephen P. Tocco, executive director of the Massachusetts Port Authority. Tocco said the port authority anticipates a 20 percent increase in business as a result of the tax credit.

The proposed tax credit for harbor-tax payments is believed to be the first in the nation. Other states, however, have developed tax-relief plans to encourage shippers to use their ports.

North Carolina enacted a law in 1992 that provided a state income tax credit for wharfage and handling fees at the port. Mississippi this year enacted a similar law.

In addition to the proposal for the harbor-tax credit, a special port commission proposed \$218 million in spending for port-related projects.

Not all of the spending would be for cargo facilities. A substantial amount would go to help the state's fishing industry. However, the plan calls for \$100 million in dredging projects, mainly at Boston, and \$58.7 million for work on bridges, rail links and truck routes.

Gov. William Weld also issued an executive order creating the Massachusetts Seaport Advisory Council, which will include state agencies and port representatives and will advise the governor on port-related issues. Lt. Gov. Argeo Paul Cellucci will serve as chairman of the council. ■



Paul D. DeMariano

DeMariano to head Philadelphia ports

Paul D. DeMariano, former managing director of the Jacksonville Port Authority has been named the first chief executive of the newly unified Port of Philadelphia and Camden.

The newly unified Delaware River port, which has responsibility for terminals on both the Pennsylvania and New Jersey sides of the river, had been searching for a director for four months.

DeMariano has worked in private industry and in public-sector port operations for 25 years.

He headed the Jacksonville Port Authority from 1984 to 1990.

He later founded DeMariano International, a Florida-based firm which has shipping and marine terminal operations in the U.S. and in South America and the Mideast.

He also was president of Standard Gypsum Corp., a shipping, importing and stevedoring firm, and vice president of port development for Eastern Seaboard Petroleum Co., a subsidiary of Ashland Oil.

A native of Boston, DeMariano began his career with the Massachusetts Port Authority. He joined the Port Everglades Authority in 1973 and later became port director. He was with Standard Gypsum prior to moving to Jacksonville.

The Port of Philadelphia and Camden represents a merger of the Delaware River Port Authority's world trade division, the Philadelphia Regional Port Authority and the South Jersey Port Corp. The unified port agency is a subsidiary of DRPA.

The unified port conducts joint marketing for port terminals in Pennsylvania and New Jersey. In about a year, the new agency is expected to take over ownership and operations of the port terminals and develop a port master plan. ■

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Ragucci seeks tenants for Howland Hook

Leases idle Staten Island container terminal. Dredging to 40 feet expected by mid-1995.

New York's Howland Hook container terminal, idle for nearly five years, may soon return to operation.

A group led by Carmine Ragucci, a veteran stevedoring executive who managed Howland Hook when it was operated by United States Lines, has leased the terminal from the Port Authority of New York and New Jersey.

Howland Hook, on Staten Island, bustled in the 1980s as New York/New Jersey operations base for USL's round-the-world service. But since USL went bankrupt in 1986, the terminal has not been in full operation. Its last operator closed down in 1991.

The port authority dickered with a number of potential operators before coming to terms with Ragucci's group, known as Howland Hook Terminal Inc. (HHTI).

HHTI signed a 25-year lease for the terminal, effective Nov. 1. The lease rent was structured on a sliding scale with rents based on volume after an initial grace period designed to give the port authority time to complete maintenance dredging and other improvements.

The possibility of a reopened Howland Hook has raised concerns among competing terminals in New Jersey. They fear a new terminal would merely result in the port's existing cargo activity being cut into thinner slices.

However, the port authority said a reopened Howland Hook would be a plus for the area.

"We are eager to return the Howland Hook marine terminal to productive use," said Kathleen A. Donovan, chairman of the port authority.

Port authority officials said they hoped Ragucci's experience with the terminal would help attract tenants.

Ragucci said Howland Hook's strong points include a relatively uncongested site with good access to bridges and highways, and on-dock rail access featuring 5,000 feet of rail track and a direct connection to Conrail's main line at Cranford, N.J.

Ragucci said that initially, the terminal is being marketed to small and medium-sized vessels that aren't constrained by draft restrictions at Howland Hook's dock.

The main channel outside the terminal has an authorized depth of 35 feet and is close to 40 feet in some places. That, with a five-to-seven-foot high tide, will accommodate large container ships.

The draft problem is at the berths, which have silted in since they last underwent maintenance dredging a decade ago and now are as shallow as 31 feet in some spots.

An application for a permit to dredge the

berths at Howland Hook was submitted to the Army Corps of Engineers in 1991, public hearings were held in 1992, and the last required tests specified by the Corps and the U.S. Environmental Protection Agency are under way.

The port authority said that barring unexpected delays, the berths are expected to be dredged by mid-1995.

The port authority said it has completed a number of improvements at the terminal, including paving and upgrading of utility systems, and that repairs to the wharf are under way. ■

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NY/NJ opens on-dock auto terminal

Port Newark terminal expected to handle 140,000 cars a year.

The Port of New York and New Jersey has opened a new on-dock terminal for transferring automobiles between ship and rail.

The Marine On-Dock Auto Rail Terminal (MODART) is located about 150 feet from ship berths at Port Newark.

The port authority said MODART is

expected to handle about 140,000 vehicles a year, divided about equally between imports and exports. The leading user of the terminal is Toyota, which is expected to account for about half the capacity.

Last year the bistate port handled 386,490 vehicles, up 3.7 percent from the previous

year. The port's share of U.S. auto imports increased from 13.5 percent (314,048 vehicles) in 1993 to 15 percent (330,281) in 1994. Exports were down slightly, from 58,690 in 1993 to 56,209 in 1994.

The MODART terminal's construction cost was paid by the port authority, the New Jersey Department of Transportation, Conrail and the auto terminal's operator, Foreign-Auto Preparation Service Inc. (FAPS), the terminal's operator.

FAPS processes and handles vehicle imports and exports on a 90-acre site with a capacity of 18,000 vehicles. The company provides a variety of services, including pre-delivery inspection, application of protective coatings, labeling, conforming vehicles to meet destination-country requirements, armor-plating, and outfitting of truck cabs.

The company handled more than 150,000 vehicles last year, including pre-delivery services for Volvo, exports to Europe for Ford and General Motors, and exports to Israel and China for GM. ■

Army awards \$66 million contract to auto carriers

Two shipping companies operating under the name American Auto Carriers/NOSAC Joint Service have been awarded a contract worth about \$66 million from the U.S. Army's Military Traffic Management Command.

Under the four-year contract, the two shipping companies will provide point-to-point service for the movement of privately owned vehicles between inland points in the United States and Germany. The cars and trucks are generally the personal property of the military men and women who are rotated between the United States and Northern Europe.

Included in the contract is vehicle processing, inland trucking, ocean carriage, and through liability between three army centers in the United States and eight such centers in Germany.

American Auto Carriers is the prime contractor. It is a subsidiary of Wallenius Holding Inc. and is associated with the Wallenius Lines organization, a Sweden-based operator of pure car carriers in markets worldwide. NOSAC, or Norwegian Specialized Auto Carriers, is a consortium of Norwegian ship-owners active in the same markets.

Both the Scandinavian parent organizations operate vessels under the U.S. flag.

Subcontractors in the deal are Transcar GmbH, a German vehicle processing and trucking company; Pasha Group, a California-based vehicle processor and trucker; and United Aircraft Services, an operator of vehicle processing centers. ■

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Peanut farmers face changing world

U.S. peanut producers hope to spread peanut butter sales to Russia, Eastern Europe. NAFTA poses problems closer to home.

By Gary Burrows

U.S. peanut growers have been patiently proceeding with a plan to indoctrinate young Russians to the taste of peanut butter and jelly, hopefully creating a new market from future generations of Russian buyers.

The National Peanut Council has developed a long-term program to market peanuts to Russia, by targeting that country's future consumers, those first born under a free market economy.

Steve Moody, a private consultant hired by the council to implement its Russian program, has been working with Moscow's department of education to use U.S. peanut butter in Moscow's school lunch program.

"We're proving that peanut butter is a viable substitute for other sources of protein and that on an economic basis, it's as well priced into the system as locally processed meats — particularly beef — and cheeses," he said.

Europe serves as the primary export market for U.S. producers, who rank third in the world in production with about 2 million tons a year, or 10 percent of the world's supply. About 350,000 tons of that production is bound for export markets.

Extending distribution into Russia, Poland, Hungary and Czechoslovakia seems a natural move.

"Most of the peanuts go in through Rotterdam and they go to companies in France, Germany, the United Kingdom and the rest of the European Community," said Don Koehler, executive director of the Georgia Peanut Commission.

Moody hopes to have a contract in hand in 1995 with the Moscow education department.

"With 1 million children in the school system, if they feed each one two sandwiches a week, you're looking at 3 to 4 million ounces a year initially," Moody said.

That's hardly a stick-to-the-ribs contract for the producers. And Moody, who in 20 years of dealing in Russia was used to turning million-ton grain deals, realizes that such a contract is a baby step in a longer process to spoon-feed Russia's children on peanut butter.

"If the kids are eating the stuff in school, they'll go home and tell mom they want peanut butter," he said.

"If the (Russian) kids are eating the stuff in school, they'll go home and tell mom they want peanut butter."

Some progress has been made already, he added.

"Demand has jumped from virtually zero. Planters has made some inroads, as has CPC (Corn Processors Co., manufacturers of Shippy)," he said. "They're on a lot of shelves over there."

Initially, the market in Russia will only be for peanut butter, which U.S. producers have been shipping in plastic jars and two-and-a-half-pound containers. As interest builds, Moody perceives intermediaries setting up operations there to process raw product into peanut butter.

Garlic And Vodka. Beyond peanut butter, Moody said that marketing peanut products to Russians is a harder sell. Russian adults' "garlic and vodka tastes ... are certainly not for peanut butter and jelly," he said.

Russians have had little use for peanuts themselves, preferring cashews. Russian confectioners have used the product sparingly, and not in the form familiar to American consumers.

"It's certainly not a Snickers-type product," Moody said. "They turn the peanuts into a paste that's adulterated with other components that reduce the powerful peanut taste."

Confectioners are reluctant to abandon these recipes they've been using for years. "They know how to make it, They've made the capital investment in the equipment to make it. And why change when it still sells?"

Russian adults' "garlic and vodka tastes ... are certainly not for peanut butter and jelly."

Snickers has campaigned in Russia and has made some progress in sales. However, that has created "an industrial backlash," with the Russian confectionery industry, Moody said.

Finally, the confectioners just don't have the money.

"They're in serious financial trouble. They don't have cash flows to import any raw materials — sugar, flower, etc. — let alone peanuts. And they're not in good enough financial situation to get credits from Russian banks to import materials," Moody said.

Koehler said that he has met with representatives from Czechoslovakia, Hungary and Poland. Poland has great potential, he added, because it has a better acceptance of U.S.-made products.

Also, many Polish workers that have come to the United States to work in the steel mills and coal mines have introduced U.S. products to relatives back home.

"We're looking well down the road before any of those markets are profitable," Koehler said. "We need to get the people at least aware of the product."

Success? Even if U.S. peanut producers can entice Russian and Eastern European consumers to buy peanuts, their success is questionable.

U.S. producers are inhibited in dealing with Poland and other former Eastern Bloc countries because those nations give trade preference to other developing countries.

"We pay a different tariff because we're a developed nation, than a developing nation pays," he said. "They still have a lot of the same things set up that were designed to fit under the old communist regime, when they were doing most of their trade with China."

China and India are the largest producers of peanuts in the world, producing some 6 million to 7 million tons each, he said. While India produces primarily for its own consumption, China exports 300,000 to 500,000 tons each year, about equal to U.S. exports, Koehler said.

Things may be changing in India, Koehler said, where internal restrictions on exports are being relaxed.

Koehler said that U.S. producers are hoping to find some relief in those markets under the General Agreement on Trade and Tariffs (GATT). Their hard line against the North American Free Trade Agreement paid off in some concessions under GATT, he said.

Even if everything works to the U.S. producers' advantage, and they develop demand among Russians, Moody acknowledges that foreign competitors such as China, who can deliver into Russia more

cheaply, will likely step in to serve them.

"We recognize that U.S. peanuts do not really work best in Russia in terms of price," Moody said. "Everything will balance out if we dramatically increase use of peanuts in Russia, though. It should divert peanuts from other origins into Russia."

Japan and Canada have also provided reasonable export markets for U.S. producers, Koehler said. There has been some restriction of imports into Japan though, he said — not so much to protect Japanese producers, but to protect importers.

"Japan has import licensing, where they restrict the amount of peanuts that can come into the country in order for importers to sustain their price," he said.

These import restrictions do not extend to finished products, such as oil. So manufacturers have set up factories in China to process peanuts for the Japan market.

"This has somewhat displaced peanuts coming from the U.S., but there's still a reasonable market there," Koehler said.

NAFTA. Koehler warns that Mexico — and other potential NAFTA participants — pose a threat to the future of U.S. growers.

Mexico's impact would not appear significant at first blush. Mexico produces only about 50,000 to 60,000 tons of peanuts a year, Koehler said.

As duties come down between the two countries, Mexican farmers producing corn and some other crops will lose their competitive edge to U.S. producers and will be forced to find other high-value crops to produce, Koehler projected.

Areas like Chihuahua, where water resources are limited and the growing season is longer, would do well to switch to peanuts, he said.

With the opening of the Mexican border through NAFTA, Koehler said that Mexican farmers could grow and sell peanuts in the United States for \$200 a ton cheaper than U.S. growers' current price.

"Eighty percent of our producers in Georgia are making \$80 or less a ton," Koehler said. "If you look at what the Mexican producers could sell peanuts for, we've only got 20 percent of our producers that would be able to compete."

The price for U.S. growers in 1994 is already \$25 a ton lower than last year, thus reducing the margin even more, he said.

Assistance. Another concern is that other Latin American countries currently exporting peanuts could muscle into the U.S. market. Argentina already accounts for about 78.1 percent of the U.S. import quota under GATT. Should Argentina gain reduction of duties under NAFTA, growers in

that country would have an unfair advantage over U.S. growers, Koehler said.

U.S. growers are tightly restricted in the types of fungicides and other chemicals that they're allowed to use, he said. For instance, U.S. growers are prohibited from using flusilazole, a fungicide that Koehler said would improve U.S. production efficiency by 25 percent. However, the U.S. allows imports of peanuts treated with flusilazole from Argentina and other countries, he said.

Having access to flusilazole might have reduced the peanut industry's losses about three years ago when dry weather caused peanuts to be contaminated with aflatoxin, which ruined a good percentage of the crop.

Koehler calls for some form of government assistance program for peanut growers similar to programs developed with grain and cotton farmers. That would include assistance in research and development, improving production efficiencies and reducing regulations in areas such as

chemicals like flusilazole.

"The product is there, but it would cost too much to get it through EPA and get the label so there's no way it's going to get done," he said.

"If we can't approach that, we're going to have only the most efficient farmers left. That's a possibility in 15 years it could happen," he said.

Outside Assistance. To a certain extent, the National Peanut Council is taking trade development out of the hands of staff members and turning it over to consultants, such as Moody, to develop new business.

"We have limited funds, so we can't do it in every market," Koehler said. "Still, we have a consultant in Mexico now, we have Steve in Russia and we're going to build more of those kinds of relationships," he said. "It's just easier for someone who understands the market and the people to deal with it, rather than trying to train staff to be experts in every market." ■

GPA sets executive staff

Field will become deputy executive director when Marchand takes over as executive director Jan. 1.

Emphasizing a marketing focus, the Georgia Ports Authority named B. Richard "Chud" Field as deputy executive director.

Field, director of trade development with the port authority since 1978, will assume his new position Jan. 1. He will join Doug J. Marchand, who will take over as executive director, replacing George Nichols, who is retiring at the end of the year.

Marchand, who has been serving as director of ports since April, was officially named executive director at the port authority board's Oct. 24 meeting. Marchand was general manager and port director at Galveston from 1986 to April 1994. Prior to that, he was managing director at the Port of Corpus Christi for two years.

Replacing Field as director of trade development will be Byron X. Hock, who has served in the port authority's New York area sales office as director of carrier and cargo sales.

"These moves realign our existing strengths to enhance GPA's customer orientation," Marchand said. "Chud and Byron have achieved an unparalleled understanding of the commitment to GPA's existing customer base that is needed as we position ourselves for success in the 21st century. Plus, they offer the energy and drive to complement the physical improvements under way to generate new business."

Field, as director of trade development, has overseen the authority's domestic and overseas sales offices located in Savannah, Brunswick, Atlanta, New Jersey, Tokyo, Athens and Oslo.

Prior to joining the port authority in 1978 he served with United States Lines for six years in various capacities, including regional sales manager.

Hock has more than 25 years of sales experience in the maritime industry. He began his career in 1967 with Sea-Land Service, where he worked seven years before joining U.S. Lines. There he held various sales related positions, including general manager. Prior to joining the port authority, he worked for Puerto Rico Marine Management and Norwegian Specialized Autocarriers Inc. (NOSAC).

Marchand replaces Nichols, who had the second-longest tenure among port directors in the South, taking over the port authority in 1976. Nichols announced his retirement earlier this year, shortly after assistant executive director Robert W. Goethe retired in December 1993.

Nichols, who started with the port authority in 1963 as assistant controller and was promoted to controller in 1971 and assistant executive director in 1974, was credited for bringing the Port of Savannah into the age of containerization. ■

Hvide going public to fund growth

Public offering likely in 1995 as Fort Lauderdale company embarks on five-year, \$500 million expansion.

By Gary Burrows

Thirty-six years after founding Fort Lauderdale, Fla.-based Hvide Marine Inc., Hans Hvide is retiring and turning over complete control of the company to son Erik.

Guiding the company from its initial roots as a Port Everglades tugboat operator to a multi-division company owning 67 vessels and handling transportation in the chemical, petrochemical and offshore oil and gas exploration industries as well as tugboats, Hans departs just as Hvide Marine is embarking on a five-year, \$500 million acquisition plan that is expected to include transition from a private to public company.

"It is important that the leadership be in place to take the company into the next century, and I'm confident that Erik is that leader," said Hans Hvide, whose maritime career spans 59 years.

"I'm fortunate that my father has given me enough rope to hang myself," said Erik.

Erik, named chairman of Hvide Marine in October, had been president and chief executive officer since 1991. He spent a decade as chief operating officer, overseeing the company's fleet of harbor tugs, deep sea tankers and offshore supply vessels.

As CEO, Erik oversaw the drafting of Hvide's five-year expansion plan, which kicked off with the raising of \$115 million in capital for the recent acquisition of five companies. When completed, the plan will take Hvide from about \$35 million in assets to \$500 million, he said.

Hvide comprises four divisions:

- **Towing.** Hvide's original business, founded in 1958, includes harbor and ship-docking work as well as ocean towing. Besides Port Everglades Towing Co., Hvide has harbor docking and towing operations in Port Canaveral and Mobile.

- **Fuel transportation.** Started in the mid-1970s, the division carries clean petrochemical products in U.S. coastwise trade.

- **Chemical transport.** Formed in 1968, Hvide's largest division covers U.S.-flag coastline transport of a large variety of indus-

trial chemical products for all the primary chemical and petrochemical companies.

- **Supply vessels.** The division, Seabulk Offshore Ltd, based in Lafayette, La., operates tug supply vessels, ship supply vessels and high-speed crew utility vessels in the Gulf of Mexico for the offshore oil and gas exploration and production industry. Hvide's most operationally diverse division is also geographically diverse, with a Mideast operation, based in Abu Dhabi, and a Southeast Asian operation, based in Singapore.

Though the chemical division is larger than the other three, each division will grow proportionately under Hvide's five-year plan, Erik said, though he declined to give details of the plan.

First Phase. It is the offshore division that benefited the most from Hvide's recent acquisitions.

Hvide Marine acquired the offshore energy support operations and assets of Popich Bros. Water Transport, of Belle Chasse, La.; Global Offshore Marine Inc., of Bayou LaBatre, Ala.; Tribe Fleet Inc., of Panama City, Fla.; and Aleutian Comman Partnership, of Lafayette, La.

With those companies, Hvide acquired 20 high-speed aluminum crew utility vessels and seven offshore supply vessels, Erik said. Hvide also added to its 500 employees. But it also meant a chance to promote Hvide staff, he said.

The company also acquired the industrial transport operations of Sun State Marine Inc., of Green Cove Springs, Fla. Sun State Marine will become Sun State Marine Services Inc., a wholly owned subsidiary of Hvide Marine. That purchase included acquiring nine barges and 10 tugs.

Acquisitions in the offshore industry were perhaps easier to make because that industry is going through a shakeout similar to that which has previously affected other transportation-related industries.

"It's not the same way it was 20 years ago where small operations of one-to-four boats were run by you and your nephews or a couple of buddies," Erik said. Today, operators are affected by escalating insurance costs, operational and environmental requirements and liabilities brought on by legislation such as the Oil Pollution Act of 1990, and the eventual question of fleet renewal.

Add to that the fact that the chemical and

petrochemical industries are demanding that vendors buy into the quality processes that have led to ISO 9000 certification, and it's no wonder these small operators are selling out to larger companies like Hvide.

It is through the chemical division that Hvide has developed its quality programs and its efficiencies, then "downloads" them into each of the other divisions. Currently, Hvide is methodically preparing for ISO 9000 certification for its chemical division.

"I've learned that the best way to eat an elephant is one bite at a time," Erik said. "Once we have that certification in place, we'll be replicating that in each division."

Going Public. Hvide was a matter of weeks away from going public, Erik said.

"We were working towards an initial public offering within 1994, but the public market has not been receptive to new issues," Erik said. "We had filed a prospectus with the Securities and Exchange Commission and had received comments back and technically were within a few weeks of being able to go with it."

However, Erik said that institutional investors demanded heavy discounts to fund new issues, because most of the companies were seeking public sale as their only resource of raising capital.

"Our stock would have been priced at \$10, but investors were only willing to pay \$5 to \$7 a share," he said. "We were looking (to the public offering) as a means to grow, not something we had to do. So we elected not to pursue the public market this year."

So Hvide will likely try again in 1995. Future expansion will be dependent on the capital Hvide can raise from sale of stock.

Innovations. Hvide is also "literally weeks away" from its latest innovation, Erik said. The company has spent two years designing a 5,000-horsepower tug which will not only do ship docking work, but handle tanker escort, he said.

Hans, and now Erik, have been known for their innovations in the industry.

Hans perfected the design of a diesel-powered tug with a high-gear ratio and a large, slow-turning propeller. Another design pioneered the use of a two-speed forward gear, permitting slower propeller revolutions when heavy loads are being towed and faster revolutions under lighter loads.

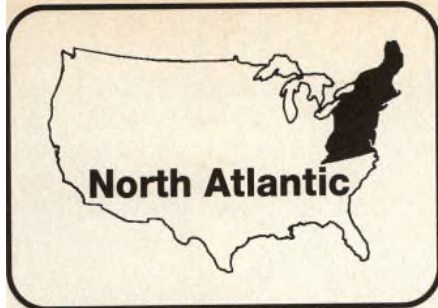
Led by Erik, Hvide developed the rigidly-integrated, catamaran tug-and-barge system. The company was awarded a patent for its CATUG design, which has demonstrated performance equal to self-propelled vessels with substantially lower construction and operating costs. A dozen such vessels were built between 1975 and 1983. ■



Hans Hvide



Erik Hvide



BOWERS GETS CII AWARD. John Bowers, president of the International Longshoremen's Association, will receive the 1994 Connie Award from the Containerization and Intermodal Institute. The award was scheduled for presentation Nov. 30 in New York. Bowers has been president of the ILA 1987 and was executive vice president for 24 years before that.

MITSUI O.S.K. Doug Tipton has been promoted to regional vice president and general manager, Northeast region, for Mitsui O.S.K. Lines. He has been with NOL since 1991 as a vice president for the Northeast region. Earlier, he spent seven years with Consolidated Freight, then joined Sealand, where he spent 10 1/2 years in positions including general manager of the Alaska region, general manager of inland and intermodal for the Atlantic division and director of operations for the Atlantic division. Before joining MOL he spent a year with Maersk as general manager of intermodal and equipment.



Tipton

MAZDAS TO TAIWAN. Shipments of Mazda 626 sedans manufactured in Flat Rock, Mich., have begun moving to Taiwan via "K" Line through the Port of New York and New Jersey. The cars were delivered by Conrail and processed through the port's Northeast Auto Marine Terminal. The terminal handles more than 100,000 vehicles a year for Mazda and expects to ship 2,500 Mazdas to Taiwan in the first year.

"K" LINE BOSTON. Ximena Anderson has been appointed district sales manager for "K" Line's New England region. She has been with the company since 1990, serving most recently as senior account executive. In her new position, her territory will include Massachusetts, Rhode Island, Maine, New Hampshire and the northern part of Connecticut.

NIT LEAGUE SEMINARS. The National Industrial Transportation League is sponsoring a series of seminars on trucking in a deregulated environment. Instructors will be from the NIT League staff and the law firm of Donelan, Cleary, Wood & Maser. The seminars will be held Dec. 5 at the BWI Airport Sheraton in Baltimore, Dec. 6 at the Airport Sheraton Plaza in St. Louis and Dec. 8 at the Sea-Tac Marriott in Seattle. For information, contact the league at (703) 524-5011.

BDP IMPORT SEMINAR. BDP International will host its sixth annual import seminar in Philadelphia on Dec. 13. The seminar will deal with changes in laws, new regulations and procedures that took effect in 1994 and the impact they have on importers. Gerald J. McManus, former assistant commissioner of U.S. Customs for commercial operations, will lead the seminar. The seminar will be held at the Sheraton Society Hill, Second and Walnut streets, Philadelphia. Cost is \$50. For more information, contact Jackie Elko at (215) 629-8906, or by fax at (215) 629-8995.

AUTOLINERS RESTRUCTURING. The general agent for Hoegh-Ugland Auto Liners A/S has restructured its staff, shifted some responsibilities and enhanced its sales and operations functions. Ronald A. Pfeiffer has been appointed regional sales manager, responsible for sales activity in the northern U.S., West Coast and Canada. Pfeiffer relocates to corporate headquarters in Jericho, N.Y. from Charleston, where he was Autoliners' port captain. David Caramante has been named Autoliners' port captain, stationed in Jacksonville. John R. Gold-

smith has been appointed assistant operations manager and claims manager. Barbara Lauth has been given expanded responsibilities in claims, operations and computer systems as operations assistant. Also, Robert W. Mische has been promoted to senior manager, traffic, and Marc C. Sorensen moves up to senior manager, operations and information systems.

LANDSTAR INTERMODAL. Mike Cavanaugh has been named eastern division manager for the Jacksonville-based company. He joined the company in 1993 as operations manager for Landstar subsidiary Gemini Transportation Services Inc. Prior to joining Landstar, Cavanaugh worked for Union Pacific Railroad in various positions.

MEDITERRANEAN SHIPPING. Allen Paresi has been appointed office manager of Mediterranean Shipping Co.'s Baltimore office. Paresi has more than 35 years of experience in the shipping industry. Most recently he was corporate vice president and operations manager at Stockard Shipping & Terminal Corp.

NY/NJ DREDGING. Thomas H. Wakeman III, a marine biologist and civil engineer, has been named manager of dredging programs for the Port Authority of New York and New Jersey. He will be in charge of the port authority's dredging programs. Wakeman had been with the Army Corps of Engineers in San Francisco, where he was project manager in charge of dredging for the San Francisco Bay region. He spent 21 years with the corps.

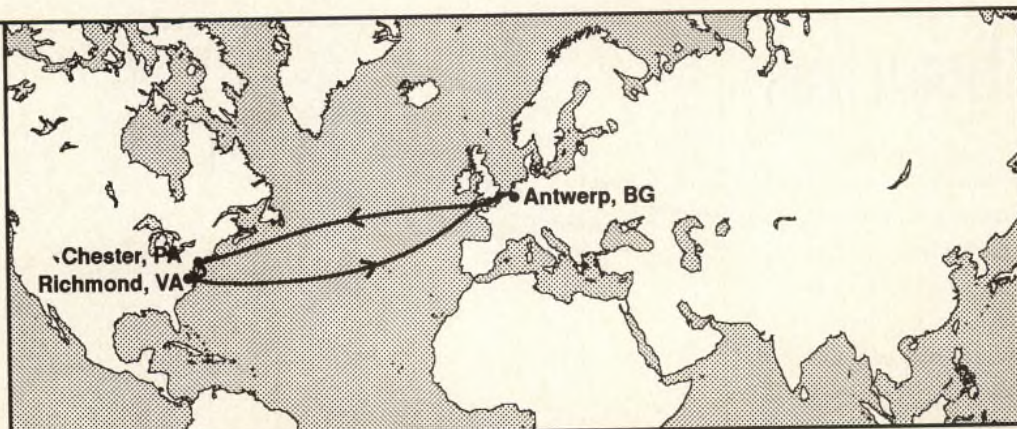
RADIX GROUP. The freight forwarder and customs broker has opened offices in Philadelphia and Pittsburgh. The Philadelphia terminal is managed by Melody Cornrow-Chase. In Pittsburgh, John Ellefson is in charge.

ST. ANDREWS BAY CO. The Christian Bay Shipping Co. subsidiary has opened an office in Baltimore. Forwarding operations

INDEPENDENT CONTAINER LINE

Bookings/Sales:
 Antwerp, BG 32-3-232-1979
 Richmond, VA (800) 525-4499
 Union, NJ (800) 321-4029

Pricing/Rates:
 800-525-4499



will be headed by Frank E. Cashman Jr. Christian Bay is a member of the Denholm Group, based in Glasgow.

EXPEDITORS INTERNATIONAL.

Laura Bichell has been named district manager for the Baltimore office of Expeditors International of Washington. She had been operations manager for the office.

EXPEDITORS CARGO.

John Potter has been named East Coast sales manager for Expeditors Cargo Management systems, a subsidiary of Expeditors International of Washington that provides cargo management software. Potter has 12 years in transportation.



Potter

COLUMBUS LINE INC. Phyllis Africano and Buddy Batha have been appointed to the customer service department of Columbus Line Inc.'s East Coast South America service. Africano had been with Columbus's Australia/New Zealand customer service department. Batha had been a marketing analyst for Columbus. Also, Mari Massarelli has joined the company as a maintenance and repair clerk, based in Columbus Line's main offices in Jersey City, N.J. She reports to Ray Drogon, manager of technical services.

JEVIC TRANSPORTATION.

Tony Roberto has been named director of sales for Pennsylvania and southern New Jersey for the Delanco, N.J.-based less-than-truckload carrier. He had been director of sales for southeastern Pennsylvania and southern New Jersey. John F. Hassett has been named senior corporate account executive. He had been director of sales.



Roberto



Hassett



AOTOS AWARD. The 1994 Admiral of the Ocean Sea awards were presented by the United Seamen's Service to Louis Parise, president of District 4, NMU-MEBA, and Michael Sacco, president of the Seafarers International Union. The awards were presented by Rep. Helen Delich Bentley, herself an AOTOS recipient in 1971. The awards have been presented annually since 1970 to persons judged to have made significant contributions to American shipping and seafarers. Proceeds of the AOTOS awards program go to the United Seamen's Service.

MARITRANS INCOME. Maritrans Inc. announced net income for the quarter ended Sept. 30 of \$1.5 million, compared to \$24,000 for the quarter ended Sept. 30, 1993, on revenues of \$30.1 million and \$31.0 million, respectively. Operating income improved to \$4.4 million for the third quarter of 1994, from \$1.2 million during the same quarter in 1993. Net income for the nine months ended Sept. 30 rose to \$4.5 million from a net loss of \$11.6 million for the same period in 1993, on revenues of \$92.7 million and \$96.9 million, respectively. The loss during last year's period was due to a one-time recording of \$16.6 million of deferred taxes.

For information, call (412) 269-5018 or fax (412) 269-5080.

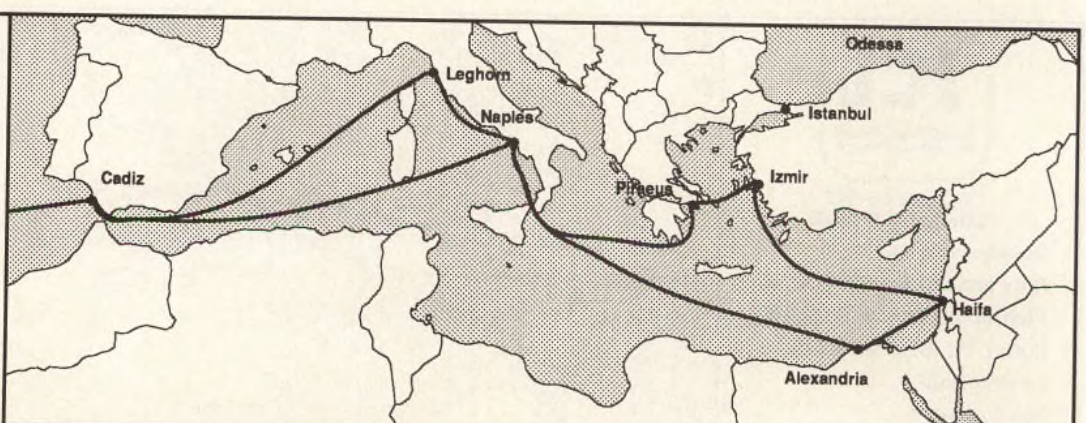
BULK MATERIALS HANDLING. The 1995 McNally Wellman Bulk Handling Equipment Seminar will be held April 27-28 in Pittsburgh. The conference includes sessions on operations, maintenance, improvements and other aspects of bulk handling.

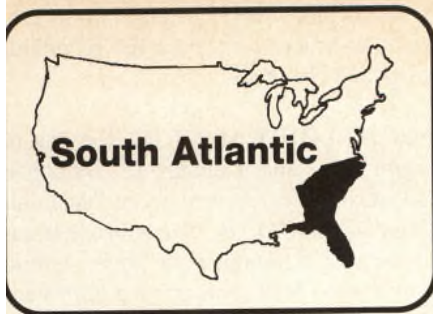
FIRST LINE PROGRAM. International insurance broker Johnson & Higgins has established a new insurance facility in Bermuda to help shipowners satisfy the U.S. Coast Guard's financial requirement for vessels entering U.S. waters. The First Line program will provide guarantees to the Coast Guard on behalf of shipowners and will receive extensive reinsurance support from major worldwide insurance and reinsurance companies. The guarantees, in turn, will enable the Coast Guard to provide a certificate of financial responsibility. Under the Oil Pollution Act of 1990, vessels of more than 300 tons are required to have COFRs to enter or trade within U.S. waters. Johnson & Higgins developed the concept for First Line after working closely with protection & indemnity clubs.

FARRELL LINES
INCORPORATED

Container Service

New York (212) 440-4200
Baltimore (410) 282-6200
Chicago (708) 696-1700
Cleveland (216) 331-9461
Detroit (313) 553-3335
Norfolk (804) 440-2600
Wash., D.C. (202) 223-2744





GPA APPOINTMENTS. B. Richard "Chud" Field has been named deputy executive director of the Georgia Ports Authority. He has been director of trade development. His successor in that job will be Byron X. Hock, currently director of carrier and cargo sales in the GPA's New York area sales office. The appointments, which take effect Jan. 1, were made by Doug Marchand, director of ports, who will succeed George Nichols as executive director after Nichols retires at yearend. Field joined the GPA as director of trade development in 1978 after working for United States Lines. Hock worked for Puerto Rico Marine Management, NOSAC, U.S. Lines and Sea-Land before joining the GPA.

ANTILLES VP. William J. Clarke has been named vice president-sales of Antilles Freight Corp. Clarke joined the company in January 1993.

UPS GOES ON-LINE. The Atlanta-based company has gone on-line with CompuServe and Prodigy and plans to unveil a sophisticated customer automation system that integrates all aspects of shipping and package tracking. In addition to requesting one-time pickups, CompuServe and Prodigy users can order UPS package tracking software or shipping supplies, send messages to UPS or inquire about UPS services. UPS's new Windows-based customer automation system was introduced in November at the computer trade show Comdex. The system will simplify the shipping and tracking process and capture substantially more package details than before on all UPS ground, air and international services.

CON-WAY EXPANSION. Con-Way Southern Express will expand its freight operations in Charlotte with a new \$9 million service center that will more than double local capacity for handling commercial and industrial freight shipments. The new center will be built on a 25-acre site recently purchased on Old Statesville Road adjacent to the Metrolina Expo. The facility will serve both as the local service center for Charlotte customers, and as a night-time regional freight assembly center processing shipments moving through CSE's next-

day and second-day network. The new facility will have 164 loading doors, a 72,000-square-foot dock for freight handling operations, a 10,000-square-foot sales and administrative office and 20 acres of paved parking for staging and processing of trailers and trucks. Construction is scheduled to begin during the first quarter of 1995 with completion by the end of the year.

TROPICAL SHIPPING. The Riviera Beach, Fla.-based carrier reported third-quarter operating income of \$3.7 million on revenue of \$36.5 million, compared with \$3.5 million on \$35.2 million a year earlier. For the nine months through Sept. 30, Tropical had operating income of \$11.5 million, compared with \$9.9 million a year earlier, on operating revenue of \$109.6 million, up from \$102 million a year earlier. During the nine months, Tropical carried 69,400 TEUs, compared with 69,100 a year earlier.

HARBORSIDE REFRIGERATED SERVICES. Barrett A. Jung has been named general manager of Harborside Refrigerated Services in Tampa. William J. Leshe has joined the company as manager of its Houston operations. Jung, who has been a consultant for Harborside for several months, had been operations director for David Oppenheimer & Co. and operations and port manager for Dole Fresh Fruit Co. Leshe had been general manager of Rosenberger Cold Storage in Wilmington, Del., and earlier was operations and port manager for Dole.

GATX LOGISTICS. Brent Smith has been appointed operations manager of GATX Logistics, based in Jacksonville. He has held a number of positions with GATX, most recently as operations manager at the company's Greensboro, N.C., facility. He previously was operations coordinator for Roadway Package Systems.

SAVANNAH CARGO UP. Six months after deepening of Savannah's shipping channel to 42 feet, container-cargo tonnage is up 8 percent over last year, the Georgia Ports Authority said. The dredging project, which took 11 months, deepened 19.6 miles of Savannah's interior ship channel to the GPA's Garden City Terminal from 38 to 42 feet. In addition, an 11.3-mile section of the outer bar channel was deepened from 40 to 44 feet.

MIAMI INT'L FORWARDERS. Alex Balsinde has been named air export manager of Miami International Forwarders. He was a sales executive. Marta Arner has been appointed air export gateway manager. She has been with the company since 1989.

CUSTOMS & TRADE. Summit of the Americas, a symposium on customs, trade and finance, will be held Dec. 4-6 at the Radisson Mart Plaza in Miami. Speakers will include officials from the Customs Service and banks. For information, call (305) 347-4951.

N.C. PORTS. Ronald B. McLauchlin has joined the North Carolina State Ports Authority as regional marketing manager in the port authority's Greensboro office. He had been based in Charlotte as representative for Cho Yang (America) in North and South Carolina.

GEORGIA TECH LOGISTICS. The Logistics Institute at Georgia Tech will offer several courses in January and February leading to a certificate in material handling, warehousing or logistics. Courses and dates are logistics management, Jan. 17-19; inventory management, Feb. 6-8; warehouse layout, Feb. 6-8; paperless warehousing, Feb. 9-10; and transportation/distribution/logistics, Feb. 14-16. For information, contact the institute at (404) 894-2547.

WILMINGTON DREDGING. Dredging is under way to deepen the ocean bar entrance to the Wilmington, N.C., harbor to 40 feet. The Army Corps of Engineers awarded the \$24.8-million dredging contract to Weeks Marine Inc. of Camden, N.J. About 1.4 million cubic yards of sand, sediment and rock will be removed. Most of the material will be used to create a reef to enhance fishing.

MOREHEAD CITY BULK TERMINAL. The first phase of construction has been completed on structural renovations to the shiploader conveyor house of the bulk terminal at Morehead City. The terminal, built in the late 1960s, is used by Texasgulf Inc.

TRANSPORTATION LOGISTICS. A transportation logistics convention and trade show will be held Feb. 19-21 at the Broward County Convention Center at Fort Lauderdale. The sponsor is RAI Exhibitions Atlanta Inc., headed by Peter Feldbrugge, former president of the International Intermodal Expo in Atlanta. For information, call (800) 724-6077.

AAPA SEMINAR. The American Association of Port Authorities will offer a community/public relations and marketing seminar Feb. 1-3 at the Crowne Plaza Miami Hotel. The Port of Miami will host a reception and dinner for participants on the evening of Feb. 1. For information, contact AAPA headquarters, 1010 Duke St., Alexandria, Va. 22314. Telephone: (703) 684-5700. Fax: (703) 684-6321.

QUICK RESPONSE 95. AIM USA and the Voluntary Interindustry Communications Standards Committee will sponsor Quick Response 95, a conference on quick-response supply chain systems. The event will be held March 13-15 at the Atlanta Marriott Marquis. AIM USA is the trade association of the automatic data collection industry. For information on the conference, contact Andrew Lambl at (412) 963-8588, or fax (412) 963-8753.

INDUSTRIAL BAR CODING. A two-day seminar on industrial bar coding will be held Dec. 13-14 in Orlando. The seminar will be led by Scott Cardais, president of Data Collection Technologies Inc., which specializes in bar code applications and equipment. For information, contact Kay James at (803) 656-2200.

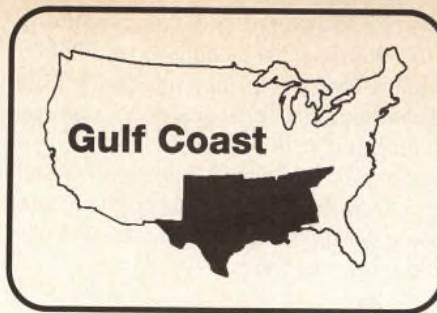
DISTRICT EXPORT COUNCIL. A Latin American trade mission organized by the Southeastern District Export Council traveled to Costa Rica, Honduras and Panama. The mission was headed by Daniel J. McLaughlin, deputy assistant secretary for the Commerce Department's U.S. and Foreign commercial Service, and B.F. Spohrer, chairman of Challenge Air Cargo and of the Florida District Export Council.

T.L. DILLON & CO. Dillon, a Charlotte-based international freight forwarder and customs broker, has opened an office in Lattakia, Syria, in cooperation with Arisco Co. The new office, under the name Arris-Dillon Co., is headed by Yousseff Arris, founder of Arisco. Assis's son, Samer Arris, is vice president of T.L. Dillon & Co.

C.H. ROBINSON. David Gordon has been named Orlando-based national marketing manager for Robinson. He is one of four marketing managers across the country who work with the company's corporate accounts.

FEC RAILWAY. Hildebrando "Randy" Moronta has been appointed district sales representative, based in Miami, with Florida East Coast Railway.

ASSOCIATED AIR FREIGHT. Stephen Clamp has been appointed southern regional manager of international sales for Associated Air Freight. He is based in Orlando. Clamp has been station manager for regional sales for MSAS Cargo International in Orlando and earlier was with Amerford International and Burlington Air Express. Paul Reed has been named district sales manager in Atlanta. He has been with associated since 1991, most recently as account executive. Earlier, he was with Burlington and Interjet.



U.S. PROPELLER CLUB. Peter J. Finnerty, vice president of public affairs of Sea-Land Service, was elected national president of the Propeller Club at the group's recent convention in New Orleans. Other officers are 1st vice president, Jerome Joseph, executive vice president, American Maritime Officers; 2nd vice president, William P. Verdon, senior vice president and general counsel, Crowley Maritime; 3rd vice president, Sidney E. Smith Jr., president, Erie Sand Steamship Co, Erie, Pa.; vice president for student ports, Andrew J. Knight II, attorney, Taylor, Moseley & Joyner, Jacksonville; and executive vice president, J. Daniel Smith, Propeller Club of the U.S., Fairfax, Va.

CROWLEY HOUSTON OFFICE. Crowley Marine Services Inc., the contract services section of Crowley Maritime Corp., has opened an office in Houston. Jim Shettig, director of sales for East Coast contract services, and Bill Weisenborn, senior account executive, have been assigned to the office.

FEDEX SORTING HUB. Federal Express Corp. has broken ground on its new southwest regional sorting hub at Fort Worth Alliance International Airport. FedEx plans to erect as many as five buildings, covering a total of 230,000 square feet, at the site. The hub will be able to sort up to 21,000 express packages and 30,500 documents an hour.

NOLA AIR CARGO. The 3rd annual International Air Cargo Conference in New Orleans will be held June 7-8. Speakers will include Mexican Trade Commissioner Jorge Barrento; William Gaiennie of Abbott Laboratories International; Paul Hyman, Hyman Logistics Consultants; Paul Wegener, M.G. Maher & Co., and Bill Wilkening of the Federal Aviation Administration. For information, contact CRS Marketing, phone (305) 591-9475, or fax (305) 591-9575.

SCHENKER LAREDO OFFICE. Cindy Valdez has been named traffic manager of the Laredo office of Schenker of Canada Ltd., a unit of Schenker International.

ANDERSON COLUMBIANA. Bob Taylor has joined Anderson Columbiana Trading as vice president of sales and marketing.

The McKinney, Texas-based company provides transport containers for hazardous gases and chemicals.

SOUTH LOUISIANA FTZ. The Port of South Louisiana is sponsoring Marathon Oil's Garyville, La., refinery and the Louisiana Offshore Oil Port for subzone status in the port's foreign trade zone. A third company, Star Enterprise Convent (Texaco), is activating the subzone it was granted in 1993.

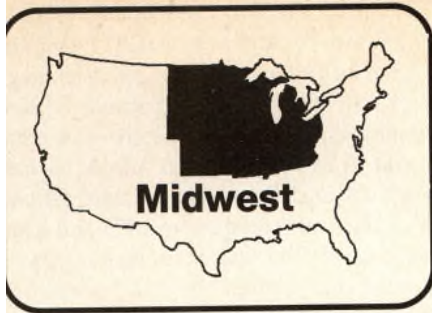
CHINA BUSINESS INITIATIVE. A joint effort of Louisiana State University/Shreveport, the Shreveport Chamber of Commerce and Morrison & Co. has been launched to help firms doing business with China, Taiwan and Hong Kong. The Greater China Business Initiative will start with \$156,600 in local and federal funds. Dr. Lorraine Krajewski, professor of marketing and management, is project director.

BOATS TO AFRICA. Aluminum Boats Inc., a Crown Point, La.-based subsidiary of Trinity Marine Group, has delivered the first of two 104-foot standby/rescue boats to Bonny, Nigeria, for O.I.L. Ltd. of Woking, England. The boat will be used by Shell off Nigeria. Such boats normally are delivered on board ship, but this one made the 30-day voyage on its own.

RANGER TRANSPORTATION. Ron Moore has been named region manager, based in Dallas, for Ranger Transportation. He was with Ranger from 1966 to 1984, when he left to become president of Gay Trucking Co. Most recently he was vice president of Pacer Transportation.

FLEET TRANSPORT GROUP. The Bulk Materials Inc. subsidiary has opened a terminal at Luling, La., near New Orleans. Mike Gill, formerly with Montgomery Tank Lines, is terminal manager.

WEST GULF CARGO UP. Ports between Lake Charles, La., and Brownsville, Texas, recorded cargo tonnage increases of 4 percent in the third quarter and 1 percent for the first nine months of the year. The West Gulf Maritime Association said total cargo in bulk products, bagged goods, general cargo and containers in the third quarter was 67.2 million tons. Bagged goods declined by 19 percent in the third quarter, to 437,902 tons, and 5 percent for the nine months. Container tonnage, however, jumped 20 percent in the third quarter, to 1.48 million tons, and was up 8 percent for the nine months. Bulk cargo rose 3 percent for the quarter and fell 1 percent for the nine months.



CONRAIL TERMINAL. Conrail has opened the intermodal section of a new joint automotive/intermodal terminal in Toledo. The intermodal terminal, on the site of Conrail's former Airline junction, replaces an older intermodal facility located near Toledo's central Union terminal. The terminal is Conrail's first to combine intermodal and automobile-handling capabilities.

GATX CORP. William M. Muckian has been named director of taxes for Chicago-based GATX Corp. Muckian had served as director of taxes for GATX since joining the company in 1990.

C.H. ROBINSON OFFICE. C.H. Robinson, a transportation and logistics company based in Eden Prairie, Minn., has opened a branch in St. Paul. The company now has more than 100 offices. The new office will be managed by Jenny Robb, who has more than seven years with the company.

CLM BOOKLET. The Council of Logistics Management has published the 1995 version of What's It All About, a 16-page booklet outlining the purpose, objectives, programs and policies of CLM. Single free copies are available from CLM, 2803 Butterfield Road, Suite 380, Oak Brook, Ill. 60521-1156. Telephone (708) 574-0985.

TRITON TRANSPORT. Triton Transport Services has named Daniel Corcoran vice president of quality and communications and Joe Naus manager of terminals in its Cleveland headquarters. The company appointed three terminal managers — Michael Sharp in Chicago, Bill Johnson in Dallas and Barry Bernard in Memphis.

THRALL CAR. Daniel G. Linklater has been named director of leasing operations for Transportation Corp. of America, the railroad freight car leasing operation of Thrall Car Manufacturing Co. He is a former vice president of fleet services at Transisco Leasing Co. and managed the railroad freight car fleet of CF Industries. Robert W. Gens has been named general manager of Thrall's plant at Chicago Heights, Ill. He is a former vice president and general manager of Clevite Seals.



Linklater

BULK MATERIALS INC. The Cleveland-based bulk-materials trucking company has invested nearly \$27 million to acquire 340 new tractors and 140 trailers

and to refurbish many of the company's other trailers. The trailer purchase was the largest by the company since it began operating under the BMI name.

INT'L TRADE ASSOCIATION. A seminar entitled "Using Databases Strategically to Market Nationally and Internationally," will be held Dec. 9 at the Stuart School of Business Illinois Institute of Technology. The forum, co-sponsored by the International Trade Association of Greater Chicago, is geared toward small and mid-sized manufacturers. Cost is \$95 or \$75 for ITA/GC members. For information, call (312) 906-6534. Also, the association will hold its 11th annual holiday celebration and program at the Donald E. Stevens Ballroom, Rosemont/O'Hare Conference Center, in Rosemont. Cost is \$35. Call (708) 980-4109 to register.

INFORMATION TECHNOLOGY. A conference on information technology for warehouses and distribution centers will be held Dec. 7-8 at the Midland Hotel in Chicago. Speakers at the conference will include Gerry Cahill of Ernst & Young; Judith Boonstra of the TLC Group; Thomas Freese, Freese & Associates; Rob Durst, Symbol Technologies; David Perrine, Applied Identification and Information Systems; Jim Shirley, Converse Inc.; Ron Hounsell, Tom Zosel Associates; Joseph Sorrentino, Tenex Corp.; John Capobianco, Computer Associates International; Larry Hilgert, Quaker Oats; Jim Krasner, Grant Thornton; Mark Richards, Associated Warehouses Inc.; Robert Erickson, GSI; Scott Ames, Logistics Associates, and Dennis Waliczek, DSC Logistics. For additional information, call (212) 952-1899.

MITSUI O.S.K. Mitsui O.S.K. Lines (America) has moved its Cincinnati office to the Fort Mitchell Executive Center, 211 Grandview Drive, Suite 216, Fort Mitchell, Ky. 41017.

COLUMBUS LINE. Michael Wagner has been assigned to the Midwest region office in Chicago as a sales representative. He reports to John Roetter, assistant vice president, sales. Wagner was previously employed as a sales representative with Cargill Inc.

LANDSTAR INTERMODAL. Frank Perconti has been named central division manager for the Jacksonville-based company. Perconti has been with Landstar since 1982 when he joined Independent Freightway Inc., a Landstar subsidiary, as a sales representative. He will be based in the region's office in Addison, Ill.

TRANSPORTATION FINANCE. The Transportation Center at Northwestern University will sponsor a three-day seminar on financial management for transportation Jan. 17-19. Speakers will include David Anderson of Andersen Consulting; John Chlebowski, president, GATX Terminals; William DeWitt, vice president, forest products, Burlington Northern; Allen Drebin, professor of accounting information systems, and Michael J. Fishman, associate professor of finance, Northwestern School of Management; Dan England, CEO, C.R. England & Sons; Robert Lake, president, Roadway Logistics; and Douglas Lambert, professor of marketing and logistics, University of North Florida. For information, call (708) 491-3226.

UPS REGIONAL HUB. United Parcel Service has opened a regional air hub at Rockford, Ill. The \$60-million, 530,000-square-foot sorting facility will handle overnight packages to nine Midwestern states. The sorting center was built in seven months. It will employ 375 package handlers and 85 supervisors to handle initial volume of 120,000 packages a day. Staffing will increase with volume, which is expected to grow to 280,000 packages a day by next year.

PORT OF CHICAGO. The Illinois International Port District reported record cargo volume of 2.2 million tons handled at the Port of Chicago during the first nine months of 1994. The total was up 55 percent from a year earlier. The increase was due largely to shipments of 1.15 million tons of steel, much of it semi-finished steel slabs for northwest Indiana steel mills. Most of the remaining volume was dry-bulk cargo, which also was up from 1993.

HAPAG-LLOYD. Martin Von Boeocz has been appointed Midwest area director of Hapag-Lloyd (America). He will be based in Chicago. Von Boeocz had been North area director, overseeing the four Canadian offices of Halo Maritime, Hapag-Lloyd's Canadian subagents. He has been with Hapag-Lloyd for 31 years at sea and in Houston, New Orleans, Hong Kong, Manila and New York. Jim Setze has been named district sales manager in Chicago. He had been sales representative.



LONG BEACH HONORS NAGUMO. Shiro Nagumo, chairman of Kawasaki Kisen Kaisha Ltd. ("K" Line), has been presented the 1994 Honorary Port Pilot Award by the Port of Long Beach. "K" Line has operated at Long Beach since the 1950s, when it began serving the port with breakbulk ships. Nagumo joined "K" Line in 1956, was promoted to managing director in 1985, senior managing director in 1990, president in 1992 and chairman earlier this year.

OAKLAND TRANSPORT CENTER. The Port of Oakland has opened a warehouse and truck chassis parking lot on 80 acres leased from the Navy. Called the Harbor Transportation Center, the facility is being used by Union Pacific Railroad and nine other transportation companies. The port authority is developing plans for a truck parking yard for up to 150 independent owner-operators needing space near the harbor.

REEFER OUTLETS. The Port of San Diego has installed 24 electrical outlets for refrigerated containers at its on-dock Tenth Avenue Cold Storage Terminal. The terminal's cargo includes imports of Chilean fruits, primarily grapes, and New Zealand kiwi fruit. The outlets were furnished by ESL, a Yorba Linda, Calif.-based manufacturer of power systems.

PORT OF RICHMOND. Two container cranes at the Port of Richmond, Calif., have been refitted with headblocks to allow the cranes to accommodate both container spreaders and spreader beams. The change means the terminal can simultaneously work two cranes on containers, two on breakbulk, or one on containers and the other on breakbulk. The change from container spreader to spreader beam or vice versa takes only a few minutes. The port authority also has broken ground on a project that will double the 40,000-square-foot size of the Terminal 3 transit shed.

CF CONTRACTS. CF MotorFreight, based in Menlo Park., Calif., has signed three major contracts for less-than-truckload service. Baxter Healthcare Corp. awarded CF a \$38-million, three-and-a-half-year contract as Baxter's primary long-haul trucking company for North America.

CF will handle Baxter's outbound LTL shipments from 17 manufacturing plants and 800 suppliers to 87 distribution centers and more than 20,000 customers. Federal-Mogul Corp., an automotive parts manufacturer, awarded a \$2 million contract to CF for nationwide LTL services. CF will provide two-to-three-day trucking service to and from 50 Federal-Mogul manufacturing plants, distribution centers and local service centers nationwide. Mobil Chemical awarded CF a two-year, \$6-million contract as the primary LTL carrier for Mobil's plastics and films fabricating divisions.

ROADWAY EXPRESS. Robert L. Stull has been appointed vice president, western division, for Roadway. He will be based in Adelanto, Calif. Stull joined Roadway 17 years ago as linehaul dispatcher and was a dock supervisor and terminal manager before he was appointed district manager in Portland, Ore., in 1989 and district manager in Stroudsburg, Pa., in 1993.



Stull

MAERSK USES NAVIS. Maersk Pacific Ltd. has begun using SPARCS, a terminal management and control system produced by Oakland-based Navis Corp., at the carrier's Long Beach terminal. The system is used by the carrier to assign container positions and monitor container movement at the terminal, and to plan vessel cargo stowage.

MARINE TERMINALS CORP. Randy Schwoeble has been promoted to general manager of the Los Angeles terminal that MTC operates for Evergreen. Eric Wilson has been named terminal manager, reporting to Schwoeble. Schwoeble had been general manager, Southern California.

STACKTRAIN TUNNELS. Twelve Southern Pacific Railroad tunnels in Southern California's Tehachapi Mountain range, between Bakersfield and Mojave, have been enlarged to accommodate double-stacked 9-foot, six-inch containers. Although the tunnels are on Southern Pacific tracks, Santa Fe Railway, which will use the tunnels for its stacktrains, contributed \$7 million to the project.

HAPAG-LLOYD. Dave Junkroski has been appointed district sales manager in the Corte Madera, Calif., office of Hapag-Lloyd (America). He had been district sales manager in Chicago.

ALASKA MARITIME AGENCIES. Dan Blackmore has been promoted to vice president and general manager of the General

Steamship Agencies subsidiary. He will relocate to Seattle from Alaska, where he managed the Dutch Harbor and Anchorage regional offices. Bob Arts, Anchorage-based assistant vice president, will take over management of South Central Alaska, including the Kenai, Seward and Valdez offices. He joined the company in 1977 and managed the Valdez offices for many years.

FTZ SUBZONES. The Port of Long Beach's foreign trade zone has won subzone status for two manufacturing sites operated by Alps Manufacturing USA, a computer electronics firm. The subzone status extends FTZ privileges to Alps facilities in Compton and Garden Grove, Calif.

MARINE CHARTERING. Capt. Malcolm R. Cameron has been named executive vice-president of San Francisco-based Marine Chartering Inc. Patricia McCarthy has been named corporate secretary, succeeding Lili Jensen, who retired. Angela Mozafar was named assistant treasurer in San Francisco and Virginia Thompson appointed assistant treasurer in New Orleans. Jorgen With-Seidelin, a company director since 1962, has retired and been named director emeritus.

COLUMBUS LINE INC. Columbus Line Inc. has moved its San Francisco office to 180 Montgomery Street, Suite 1660, San Francisco, Calif. 94104, telephone (415) 397-7500, fax (415) 397-0774.

TRANSPORTATION CLUBS. The annual Christmas party of the Pacific Transportation Association and Transportation Club of San Francisco will be held Dec. 3 at the Olympic Club in San Francisco. Cost is \$65 per person. For information, contact Pat Pollock at (415) 454-2080.

LONG BEACH FTZ. The Port of Long Beach is seeking foreign trade zone status for the city's recently expanded convention center, and Los Angeles officials may do likewise for their convention center. FTZ designation would facilitate the paperwork in moving equipment and materials in and out of the center, said John Yeskel, vice president and general manager of Metro International Trade Services, which operates FTZ No. 50 in Long Beach. The Port of Long Beach also is seeking reinstatement of FTZ status for the original site of its FTZ, where Metro International plans to return this month to operate both the FTZ and a container-freight station.

WOSCA SHIPPERS. Myron Parry has been appointed vice president of member services for WOSCA Shippers Cooperative. He will be responsible for management of WOSCA

member services, including billing, customer service, rates and sales. He had been general manager of Fabric Depot in Portland, Ore. Earlier, he was vice president of Fabricland in Portland. WOSCA, based in Seattle, provides LTL and FTL shipping, air freight service, consolidation and tracing for its 1,800 members.

GREENBRIER PROFITS. Greenbrier Cos., based in Lake Oswego Ore., reported net income of \$10.8 million on revenue of \$321.7 million for the year ended Aug. 31. Revenue for the year was up 22 percent. Excluding an extraordinary \$500,000 charge associated with a debt refinancing, Greenbrier's net income was \$11.3 million, up 37 percent from a year earlier. Railcar manufacturing accounted for more than 70 percent of total revenues and pretax earnings.

BAYFRONT DEVELOPMENT. Port officials in Oakland are building a public park next to a tugboat berth, while the Port of San Francisco is considering allowing a vacant pier to be used for a stadium. The Tidelands Act in the California Constitution requires that ports operating on state-chartered lands devote their capital outlays to maritime-related uses such as shipping and commercial fishing. However, no objection has been raised to either the Oakland or San Francisco projects under the Tidelands Act.

PACECO ITALIAN LICENSE. Paceco Corp., based in San Mateo, Calif., has ended a 23-year-old licensing arrangement for manufacturing container cranes under its brand name in Italy. Instead, Paceco will include Italy in the operating territory of the company's Spanish licensee. The action was prompted by the acquisition of the Italian licensee, Reggiane Officine Meccaniche, by the Fantuzzi group. Paceco and Reggiane were unable to negotiate a new licensing agreement.

LANDSTAR. Ben Bandurraga has been named western division manager of Landstar Intermodal. He had been national intermodal accounts executive for Independent Freightway.

Correction

An article in the Pacific briefs section of the November issue erroneously listed the experience of Donald C. Fleming, new executive director of the Port of Grays Harbor, Wash., as that of his predecessor, Clifford Muller. Fleming has 18 years in the port business, including terms as managing director of the marine division at the Port of Seattle, executive director of the Port of Bellingham and director of public affairs at the Port of Long Beach.



FARRELL LINES. James P. Cassidy has been named director of Mediterranean operations at Farrell's Mediterranean headquarters in Genoa. He succeeds Capt. Giobatta Lippi, who recently retired. Cassidy has been a senior manager with three other major liner carriers.

VINKE JOINS AGENTS GROUP. Vinke & Co. has been admitted to the Association of International Shipping Agents, a group of independent agencies that cooperate between regions of the world. Other association members are Jardine Shipping Agencies, for Asia; Yusuf Bin Ahmed Kanoo, for the Mideast, and Norton Lilly International, for North America. With Vinke, the association's coverage extends to North Europe.

SSA IN VIETNAM. Stevedoring Services of America has entered a joint venture with Saigon Port of Vietnam for operations at Ho Chi Minh City. The venture is the latest in a series of foreign expansions for Seattle-based SSA, which also has operations in Thailand, South Africa and New Zealand and is developing a container terminal in Panama.

STOLT TAIWAN OFFICE. Stolt Tank Containers Ltd., the U.K.-based tank container operating arm of Stolt-Nielsen Ltd., has opened an office in Taipei. Barwil Agencies Inc., Stolt's former agents in Taiwan, will still provide Stolt parcel tankers with port husbandry services in Kaohsiung and Keelung.

INTERMODAL SOUTH AMERICA '95. The trade conference and exhibition will be held April 5-7 in Sao Paulo. Co-sponsors include Transroll, Alianca, Lachmann Agencias Maritimas from the maritime side; Multiterminals Alfandegados do Brasil Ltda., Integral Transportes e Agencias Maritimas Ltda. and Columbia Armazens Gerais from the terminal operators sector; Transporte Expresso Ferroviario and Columbia from the railroads, and VASP from the airline industry.

HANJIN MEXICO AGENT. Delfin y Compania has been named general sales agent for Hanjin Shipping Co. in Mexico.

Delfin, part of the Delmex Group, is based in Mexico City and has offices in Guadalajara, Monterrey, Veracruz, Altamira, Guaymas, Tuxpan, Manzanillo, Lazaro Cardenas and Tampico.

HAMBURG WAREHOUSE. Oceangate Distribution GmbH has opened a 5,400-square-meter warehouse at the Port of Hamburg. The warehouse will be used for preliminary storage of items to be order picked for Oceangate; other facilities at the port. Oceangate, established in 1988, is a subsidiary of Eurokai KgaA.

ST. LUCIA TRANSSHIPMENT. The St. Lucia Air and Sea Ports Authority has opened a \$55 million Caribbean container and ro/ro transshipment hub at Vieux Fort. The container terminal includes a 670-foot quay with a mobile shore crane and two straddle carriers. The terminal will be privately operated by St. Lucia Marine Terminals Ltd. The port authority will be majority owner but said it expects to function as a landlord as terminal users take ownership shares.

MORGAN, LEWIS & BOCKIUS. The Washington, D.C.-based law firm has relocated its Brussels office to 7 Rue Guimard, 1040 Brussels, Belgium. Phone (32 2) 512 55 01. Fax (32 2) 512 58 88.

RIGHT-O-WAY. Gamma Cargo S.A., based in Lima, has signed an agreement to become exclusive representative in Peru for Right O-Way Transportation. The agreement includes both air and sea forwarding. Right-O-Way also has agreements with companies in Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Mexico, Paraguay, Uruguay and Mexico.

CN CUSTOMER CENTER. Canadian National Railways has chosen Winnipeg as the site for CN's new national customer service center. The center is scheduled to open in March and become fully operational in 1996. It will employ 300. The center will provide a point of contact for shipment advice, car orders, work request, way billing and other customer needs.

BURLINGTON AIR. Burlington Air Express has opened a regional management office for Southern Europe, based in Milan. Heading the new regional organization is Norman Rasmussen, vice president, Southern Europe. Management teams and agents in Portugal, Spain, Italy, Greece, Turkey and Israel will report to him. Rasmussen has worked for Burlington for 13 years, most recently as vice president, Atlantic sales.

Service Announcements

(904) 355-2601, FAX (904) 791-8836

Rail shuttle links Rotterdam, GERMERSHEIM

Nedlloyd, P&O, Sea-Land and Holland Rail Container have started a shuttle service linking Rotterdam with GERMERSHEIM, Germany.



The shuttle uses trains with a container capacity of 60 twenty-foot-equivalent units and initially will run three times a week in each direction. The route serves a variety of industrial centers, such as Mannheim, Ludwigshafen and Stuttgart in Germany, and Strasbourg in France.

The rail shuttle follows the launch in January 1994 of a Rotterdam/Milan service that recently has increased its departures to five a week in each direction.

APL appoints agency in Europe

American President Lines, which will begin twice-weekly container service between Asia and Northern Europe in March, said it will be represented in Northern Europe and the U.K. by a new Rotterdam-based agent.

The new entity, APL Agencies Europe (APLAE), will be a joint venture of two European liner agencies — Paris-based SDV and Antwerp-based Herfurth.

The agency initially will have 10 European offices in France, Belgium, the Netherlands, Germany and the U.K. Other European countries will be served by APLAE subagencies.

SDV has agency offices in France, the Netherlands, the U.K., Germany, Italy and Spain. The group employs 16,000 people in 135 countries and generates annual revenues of more than US\$2.95 billion. Herfurth employs 400 people, has annual revenues of US\$179 million and has offices in Belgium, the Netherlands and Germany.

Rod Miller, vice president and general manager for Europe, said that through previous collaborations, SDV and Herfurth have developed common EDI systems and logistics management skills.

The service APL will launch in March will be a preliminary one in which the company will charter space on vessels operated by Mitsui O.S.K. APL plans later to expand its Asia/Europe service by becoming part of a multicarrier alliance effective in 1996.

Italia, Lloyd Triestino launch AsiaPac

Italia di Navigazione and Lloyd Triestino, both part of Italy's Finmare Group, have launched AsiaPac, a weekly transpacific

service between Asia and the Pacific Northwest ports of Tacoma and Vancouver.



The service is an extension of the Medwa service in which Lloyd Triestino participate with Evergreen.

The service will use 14 vessels — 11 from Evergreen and three from the Finmare Group — to provide weekly sailings on a port rotation of La Spezia, Fos, Barcelona, Valencia, Trieste, Jeddah, Singapore, Hong Kong, Kaohsiung, Osaka, Tokyo, Tacoma, Vancouver, Tokyo, Osaka, Hakata, Kaohsiung, Hong Kong, Singapore, Colombo, Jeddah, Limassol, Piraeus and La Spezia.

The service by the Finmare companies will be managed in North America by Italia and in Asia by Lloyd Triestino.

Hyundai revises PNX service

Hyundai Merchant Marine said it would revise its Pacific Northwest Express service by chartering space from "K" Line.

Hyundai said the revised service would reduce transit times from the U.S. to Japan by one to four days.

Westbound transit times would be reduced to 12 days from the previous 14 from Tacoma to Tokyo, to 13 from 17 from Tacoma to Nagoya, to 14 from 15 from Tacoma to Kobe, to 10 from 11 from Portland to Tokyo, and to 11 from 14 from Portland to Nagoya.

Eastbound, times will be reduced to 11 from 14 from Tokyo to Portland, to 12 from 14 from Nagoya to Portland, to 13 from 15 from Kobe to Portland, and to 11 from 13 from Shimizu to Portland.

South Seas takes over SPIL service

South Seas Steamship Co. has taken over South Pacific InterLine's services and has begun a three-vessel, monthly service between North America and six Pacific islands.

South Seas had been managing the SPIL operations under a separate agreement announced earlier this year by A/S Thor Dahl Shipping, which owns both lines.

In addition to its regular port calls into Papeete and Pago Pago, South Seas will expand service to Apia, Nuku'alofa, Lae and Rabaul, as well as the ports of Suva, Fiji, Brisbane and Honolulu.

In North America, South Seas calls at Seattle; Coos Bay, Ore.; San Francisco; Long Beach; and San Diego.

South Seas operates the 763-TEU *Ostfriesland*, the 700-TEU *Moana Pacific* and the 256-TEU *Apollo*.

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OOCL, Zim share Asia/Australia slots

Orient Overseas Container Line and Zim Israel Navigation have entered a slot-sharing agreement on the Far East/Australia trade.

OOCL will provide two 1,500-TEU vessels, the *OOCL Challenge* and *OOCL Concord*, and Zim will provide one ship, the 500-TEU *Zim Australia*.

The service will operate on a 12-day frequency covering the ports of Kaohsiung, Keelung and Hong Kong in the Far East, and Sydney, Melbourne and Brisbane in Australia.

The new service will be synchronized with the member lines of the Australia and New Zealand Eastern Shipping Conference and the Australian Northbound Shipping Conference through a slot-exchange agreement.

This arrangement will enable OOCL and Zim to increase service frequency and serve Japan and Korea directly. From Hong Kong and Taiwan to Australia, OOCL and Zim will have 64 sailings a year, with vessels departing every five or six days.

OOCL will use Hong Kong and Kaohsiung as gateways to Southeast Asia, the Indian subcontinent, North America and Europe, while Zim will cover those markets via the gateways of Hong Kong and Japan.

5th 4,229-TEU ship joins Evergreen fleet

The *Ever Racer*, sixth of 10 R-Class ships being built for Evergreen, has joined the carrier's westbound round-the-world service.

The 4,229-TEU ships are being built in Japan by Onomichi and Mitsubishi Heavy Industries.

The first five of the vessels were allocated to Evergreen's principal transpacific service, which links Taiwan, Hong Kong and Japan with the U.S. West Coast.

Evergreen plans to eventually operate all 10 R-class ships on its westbound round-the-world service. Because the new vessels will be faster than the ships they are replacing, Evergreen expects to reduce its transit times between Asia, Europe and North America.

Hyundai begins service to Subic Bay

Hyundai Merchant Marine has begun transshipment service to Subic Bay, the Philippines.

The service will be handled by transshipments via Singapore from Hyundai's Pacific Southwest service.

The Subic Bay service initially will have two sailings a month, but the carrier said it expects the frequency to increase as commercial shipments increase through the former Navy base.

Transit times from the U.S. West Coast are 35 days from Long Beach, 33 days from Oakland, 31 to 36 days from Seattle and 38 days from Portland.

NYK has new connection with Customs

Nippon Yusen Kaisha has established a complete LU6.2 communications interface that enables the carrier to communicate directly with the Sea Automated Manifest System of U.S. Customs.

The interface allows NYK to receive cargo status notifications related to import cargo traffic from Customs and the U.S. Department of Agriculture in "real time" instead of with delays through the "batch" process generally used by ocean carriers.

Paper and layered programs in the Customs computers are virtually eliminated with the new system, NYK said.

Mexican Line names Midwest subagent

World Shipping Inc. has been appointed Midwest subagent for Trans-American Steamship Agency (TASA), U.S. general agent

for Transportation Maritime Mexicana (Mexican Line).

Mexican Line operates in the transpacific with seven of its own vessels and has a vessel-sharing agreement with American President Lines.

World Shipping, based in Cleveland, has branches in Pittsburgh, Detroit, Cincinnati and Chicago.

CMA appoints Norton Lilly as agent

The French carrier Compagnie Maritime d'Affretement (CMA) has appointed Norton Lilly International as its support service agent for the U.S. East Coast.

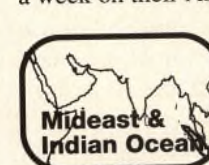


CMA will continue to directly sell its services between the U.S. and the Mediterranean and Mideast.

Norton Lilly's prime locations responsible for CMA support services will be Secaucus, N.J. (for New York area customers), Norfolk and Savannah.

Sea-Land, Norasia upgrade joint service

Sea-Land and Norasia have reduced transit times by as much as a week on their Asia/Mideast/Europe service.



The service operates with 10 ships — five from each carrier — that are faster and larger than before, the carriers said.

The service now operates on a port rotation of Hamburg, Rotterdam, Felixstowe, Le Havre, Marsaxlokk (Malta), Jeddah, Dubai, Colombo, Singapore, Hong Kong, Busan, Keelung, Hong Kong, Singapore, Colombo, Marsaxlokk and Algeciras. Several of those ports are used as hubs where various local feeder services link up with the linehaul vessels.

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The fleet assigned to the service include three former Atlantic-class vessels, which were built in the early 1980s as 4,400-TEU Econships operated by United States Lines and more recently have been used in Sea-Land's transatlantic services.

Sea-Land put the three vessels, the *Sea-Land Pride*, *Sea-Land Value* and *Sea-Land Motivator*, into the shipyard for changes that increased their service speed to 21 knots, as much as four knots faster than their previous speed. The ships now are referred to as Sea-Land's Global class.

"The increased speed will reduce transit times by up to a week and substantially improve service quality and schedule reliability," said Marke Tonge, international marketing manager for Sea-Land's Asia/Mideast/Europe service.

Two other Sea-Land vessels, the *Sea Initiative* and *Sea Endeavor*, are being operated on short-term charters and are scheduled to be replaced in late 1995 by long-term charters under construction at South Korea's Daewoo shipyard.

Sea-Land goes weekly on Andean route

Sea-Land Service has upgraded its service to weekly between the U.S. East and Gulf coasts and the West Coast of South America.



The service will consist of two strings of vessels. One is the existing Andean service from the U.S. East Coast, with a connection from the U.S. Gulf ports and Mexico, through Kingston, Jamaica.

The second, named the Gulf Express, will run from Houston and New Orleans via Miami and Kingston to the West Coast of South America.

The Gulf Express will provide connections from the U.S. East Coast via Kingston.

Together, the two strings will form a weekly service from both the U.S. East and Gulf coasts to the West Coast of South America. The service is operated jointly with Maersk, although each line markets its services separately.

The reconfigured service will add port calls. Cartagena, Colombia, will be called on both strings. Norfolk, Houston and Jacksonville will be served weekly on the U.S. East Coast string, and Veracruz will be served every other week, marking Sea-Land's first water service to the Gulf Coast of Mexico.

Concorde, Nordana to share slots

Concorde Line and Nordana Line have agreed to share space for full container loads between the U.S. ports of New Orleans and Houston and Puerto Cortes, Honduras, and Santo Tomas, Guatemala.

The agreement means each carrier will offer weekly southbound service to Guatemala, with through shipments to El Salvador, and fortnightly service to Honduras, with through shipments to Nicaragua.

Each carrier will be able to offer weekly northbound sailings from Puerto Cortes and Santo Tomas to New Orleans and Houston.

Three vessels will be used in the service.

Tramarco Lines sails from Pascagoula

Tramarco Lines has begun service from Pascagoula, Miss., to Colombia, Panama, Costa Rica and Guatemala. The carrier operates four ships designed for breakbulk cargoes, such as forest products.

The first call at Pascagoula was by the *Paper Trader*, which loaded kraft linerboard for Almirante, Panama.

Strachan Shipping Co. is agent and stevedore for Tramarco at Pascagoula.

Woodlines sails from Gulfport

Woodlines Shipping Ltd. has begun monthly service from Gulfport to Chile, Ecuador and Peru.

Based in Miami, Woodlines operates a single 5,200-deadweight ton capacity. The ship, the *Woodlands*, is a side-discharge ro/ro vessel that can handle containers, rolling stock and breakbulk cargo.

Tecmarine goes weekly to Haiti

Tecmarine Lines has resumed service between South Florida port and Haiti and said it may extend service to ports in the U.S. Northeast.

The Miami-based carrier is offering weekly sailings from Port Everglades to Port au Prince, where the carrier's agent is Termera.

Econocaribe resumes LTL service to Haiti

Econocaribe Consolidators, a non-vessel-operating common carrier specializing in the Caribbean and Latin America, has resumed less-than-containerload service to Haiti.

Before the recent economic embargo, Econocaribe had provided uninterrupted service to Haiti since 1980.

Econocaribe's agent in Haiti will continue to be J.B. Vital & Co. based in Port au Prince.

DSR-Senator, Ivaran in slot charter

DSR-Senator Lines and Ivaran Lines have signed an agreement allowing DSR-Senator to charter slots on Ivaran ships sailing between Europe and the east coast of South America. The agreement takes effect in January.

The Ivaran service calls every 13 days at the European ports of Rotterdam, Felixstowe, Hamburg, Bremen, Antwerp, Le Havre and Bilbao (every second voyage). In South America, regular ports are Rio de Janeiro (southbound), Santos (southbound), Buenos Aires, Montevideo, Rio Grande, Itajai, Paranagua, Santos (northbound), Rio de Janeiro (northbound), and either Ilheus, Maceio or Fortaleza in northern Brazil.

Yang Ming to use Santa Fe

Yang Ming Line has signed an agreement with Santa Fe Railway for shipment of containers between the West Coast and the Midwest.



Solar International Shipping Agency, Yang Ming's U.S. general agent, said the agreement will improve transit times and on-time arrivals.

NS adds Midwest intermodal trains

Norfolk Southern has added two intermodal trains, one in each direction, between Kansas City and Columbus, Ohio.

NS also has opened a new \$12 million intermodal terminal at Kansas City. The terminal is used as an interchange gateway for western railroads to use in shipping intermodal freight to and from eastern states and provinces.

Yellow opens El Paso/Juarez gateway

Yellow Freight has opened an El Paso/Juarez gateway that the motor carrier said cuts transit times by as much as two days between west and central Mexico and the western U.S. and Canada.

The new gateway allows cargo to be cleared through Yellow's 39-door terminal in El Paso instead of the congested border crossing at Laredo.

Corporate Appointments

(904) 355-2601, FAX (904) 791-8836

Burlington Air Express

Gene Long has been named vice president, global logistics, for the air cargo company.

He had been director of worldwide logistics for Dell Computer.

Carolina Freight Carriers

John C. Payne has been promoted to senior vice president, Midwest; Ken Long senior vice president, Northeast, and Mike Price, senior vice president, Southeast.

Payne joined Carolina in 1988 and has been vice president of transportation and vice president of operations. Long was president of CC Southern. Price had been division manager for Consolidated Freightways.

Columbia Coastal Transport Inc.

John Urciuoli Jr. was named vice president of sales and Tom Delaney was promoted to vice president of operations. Both will be based in the company's Newark, N.J. headquarters.

Urciuoli was district sales manager for P&O Container Line.

Delaney joined Columbia Coastal in 1990, serving as port manager in the company's Boston office. He transferred to New Jersey as port manager for the New York/New Jersey area in August 1993.

Emery Worldwide

James R. Symons has been named vice president, global sales - Europe, for the air freight subsidiary of Continental Freightways.

He has more than 20 years in international air freight and forwarding, most recently as Emery's general manager for the U.K. and Ireland.

Before joining Emery in 1993, he was U.K. managing director for Circle Freight International.

Forest Lines Inc.

Ronald E. Berenger has been named vice president, sales, of Forest Lines, an International Shipholding subsidiary that operates LASH ships between the U.S. and the U.K. and North Europe.

Berenger was an executive with Gulf & Eastern Steamship and Chartering Corp. in New Orleans.

Genstar Container Corp.

Timothy J. Britton has joined the San Francisco-based container lessor as vice president, North America.

He had been with Trans Ocean Container Corp., where he was vice president, fleet

management. Earlier, he was European sales manager for United States Lines.

Hvide Marine Inc.

J. Erik Hvide has been named chairman of the Fort Lauderdale-based tug, tanker and offshore supply-boat company, succeeding his father, Hans J. Hvide, who founded the company 36 years ago.



J. Erik Hvide

Erik Hvide will retain his title of chief executive officer, which he has held since 1991. For 10 years before his appointment as CEO and president, Erik Hvide was chief operating officer. He has been with the company and its affiliates for 24 years.

Nosac (Japan) Co. Ltd.

Soren Tousgaard Jensen has been named president of the Japan-based unit of Norwegian Specialized Autocarriers.

He has been with Nosac since last year, first in the Oslo head office, later in Yokohama as vice president of Nosac (Japan). Earlier, he spent 18 years with East Asiatic Co. in Hong Kong, Stockholm, Los Angeles and Bangkok.

Roadway Express

Robert B. Carr has been named assistant vice president-international business, Douglas G. Duncan was elected to Roadway Express' six-member board of directors and John G. "Jack" Ferrone has been named vice president-labor relations.

Carr has served as director-international business development since December 1991.

Duncan has served as vice president-sales since January 1991.

Ferrone has served as senior vice president-labor relations.

Safmarine

Chris Doo has been named finance director of CMB Transport, a subsidiary of the South African shipping company. He will be based in CMBT's Antwerp headquarters.

Doo, who was finance director of Safmarine's liner division based in Capetown, replaces Bret Gray, who will take a position on the board of Safmarine's liner division.

Graham Martin, from Safmarine's aviation division, replaces Doo as financial director of the liner division.

Safmarine acquired 49 percent interest in the Belgian-based shipping and transport company in July 1991.

Schenker International

The company has realigned its top management personnel and relocated its U.S. headquarters to Bensenville, Ill., a suburb of Chicago.

Joerg Launer was named chief operating officer; James McDonald was named executive vice president, sales and marketing; and Bjorn Harter was named chief financial officer.

Manfred Engst remains executive vice president, air freight development, with special responsibility for New York branch office.

Also, Nicholas Ciaccio remains as director of corporate sales and Paul Swain was named director of marketing and director of quality assurance.

Schenker was previously based in Jersey City, N.J.

Santa Fe Railway

Carl Ice has been named vice president, executive, and Rick Nelson has succeeded Ice as vice president, carload business unit, at the railroad. Nelson had been assistant vice president, carload business.

Tecmarine Lines

David P. Kelly has been named vice president, sales and marketing, of the Miami-based carrier.

He joined Tecmarine in 1993 as sales manager and was promoted to director of sales last December.

Transax Systems

Michael A. Jablon has been appointed vice president/product development for the trade automation company. Michael R. Simon has been named vice president of developing and consulting.

Transportacion Maritima Mexicana

Manuel Monroy has been named president of TMM and Leopoldo Gomez chief executive officer.

Monroy has been a consultant to various Mexican companies and was president of Fertilizantes Fosfatados de Mexico, one of Mexico's largest fertilizer companies.

Gomez also has been a consultant to Mexican companies and has spent five years as president of the Camino Real hotel chain in Mexico; 10 years as president of Cementos Anahuac, a Mexican cement company previously chaired by TMM Chairman Jose Serrano; manufacturing director of Fertilizantes Fosfatados de Mexico for two years and operations director with Monsanto.



Consortia Within Conferences

On pages 30-31 of this issue, Joe Bonney has put together a very revealing picture of existing liner service from U.S. Atlantic and Gulf coast container ports to Northern Europe.

The bulk of available service is from members of the Trans-Atlantic Conference Agreement, all of whom compete even though they are involved in some form of vessel sharing, joint service or space charter agreement with other conference members. It does not stretch the mind very much to visualize these groupings as consortia within conferences — something proposed to the Advisory Commission on Conferences in Ocean Shipping four years ago by Dr. David Butz of UCLA and apparently supported by the European Commission.

It makes a good deal of sense, if for no other reason than the fact it might ease the minds of shippers and regulators.

Under such a system, conferences (after consultation with shippers) might lay down certain ground rules which all the carriers would follow. The conferences might also establish a benchmark from which all rates would be established — something comparable to the World Scale used successfully by bulk carriers and contract shippers around the world. The conference should also assure a balance of service to all ports, and all shippers.

Consortia would establish their own policies.

Beyond that point, conferences should become invisible, leaving it to individual lines to negotiate privately and confidentially with individual shippers.

It may not be a perfect system, but it certainly would be a happier one.



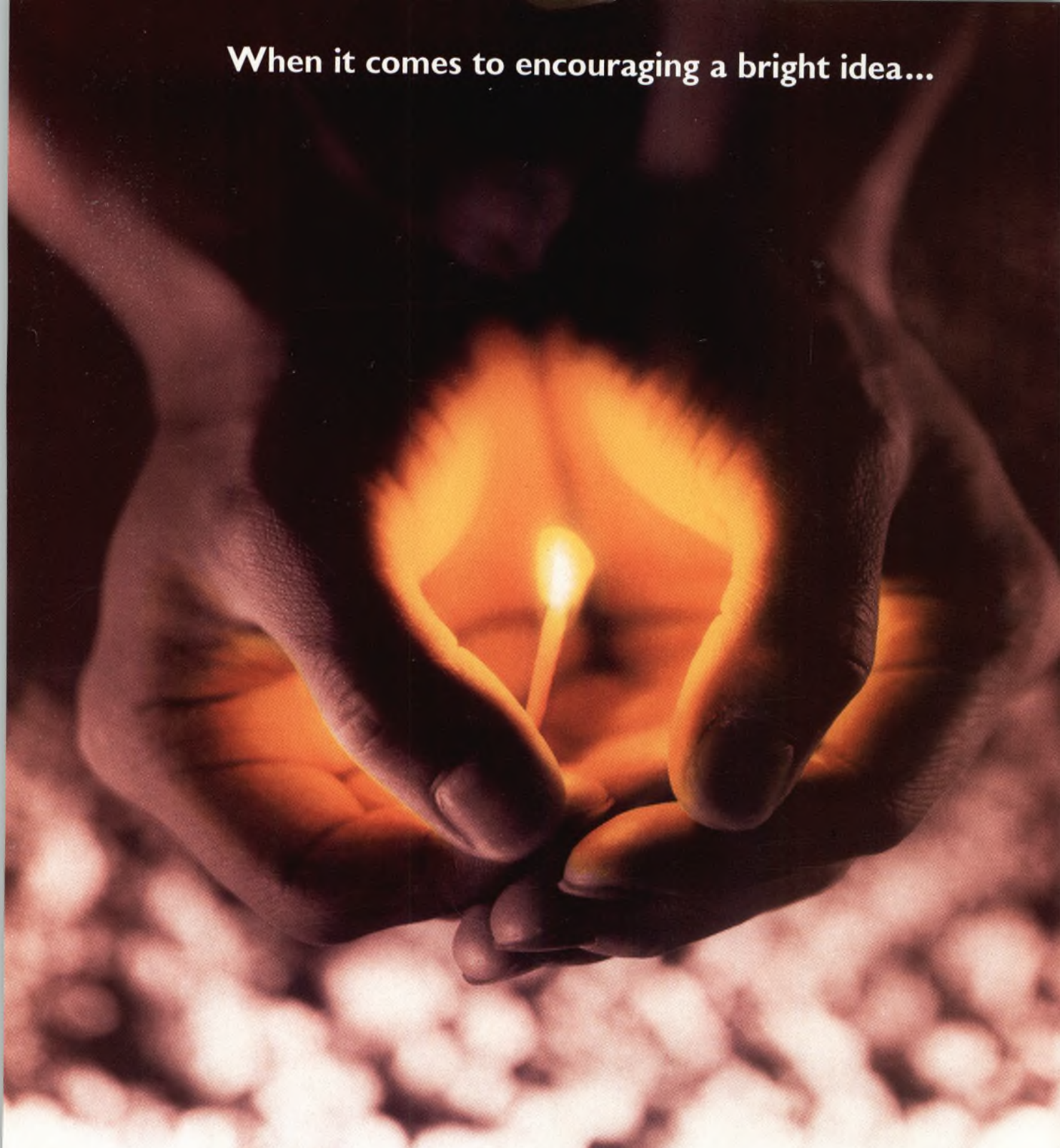
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