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REMARKS BY CHARLES D. BAKER, DEPUTY UNDER SECRETARY OF TRANSPORTATION, BEFORE THE INTERNATIONAL SHIPPING, CONTAINERIZATION AND MARINE ENGINEERING EXPOSITION, NEW YORK, NEW YORK ON SEPTEMBER 16, 1969

Recently, an outspoken west coast shipper, when asked by a reporter to comment on the lack of an efficient, economic land-water interchange in the west, laid the blame on the do-nothing attitudes and big-talk of the people in Washington. While I have never been accused of being laconic, I'd like to challenge that gentleman on the do-nothing attitude. Ted Williams hasn't been able to build a winning team in one season, and look what we have to work with. We've all inherited a regulatory and administrative environment that is archaic and out of step with technological change. The Government has an unwieldy proliferation of regulatory and administrative bodies--the ICC, the FMC, the FTC, MARAD, Labor, DOT, and so on. On the other side of the fence are the separately owned, separately operated transport companies, transfer agencies, port authorities, terminal operators, and the like--some privately owned and some public. And taking another slant, there are management and labor.

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And each party has his own interests. Labor, for understandable reasons, is concerned about some of the potential changes. The truckers aren't sure what containerization really means to them vis a vis the railroads. Among the shiplines, there is concern--and often distrust.

All this is prefatory to what I planned to say before I got caught up in proving that west coast gentleman right. There has been a lot of talk and pretty limited action. Which raises the obvious question of why are all these things--which we've had around for a long time--becoming increasingly difficult to live with?

The answer is pretty simple. The old ways of doing business simply won't hack it any more. The advent of containerization has been called a revolution. Personally, I don't care what you call it, as long as you realize that it means things have changed a great deal.

In 1966, box traffic on the Atlantic was negligible. Now, more than half the general cargo in this area moves in containers. And what containerization can mean is pretty heady stuff:

- It can increase the productivity of capital investment,
- Increase productivity of labor, and
- Increase speed of through movements.

And this can lead to reduced costs, expanded markets, more profitable operations, and--who knows--maybe even lower rates to shippers.

Now these remarks are pretty much like spilling coffee on a dark suit. It doesn't show much, but it gives you a warm feeling. So, I'd like to shift gears a little and comment on some of the problems that have come along with containerization. The smorgasbord of problems to be overcome and decisions to be made is of no mean proportion. How, for example, do you handle an imbalanced trade with container cargo heavy one way, but not the other. An \$11 million mariner coming home in ballast is one thing; an entirely different thing is a \$20 million containership with a full suit of

empty boxes. Or on overland legs, how do you get boxes when you want them for stuffing? Who pays for deadheading? Ownership and control of boxes introduces a myriad of issues. Should domestic and marine boxes be interchangeable? Who provides the wheels for inland movement? Should pooling be encouraged and, if so, what does this mean with respect to standardization? Traditional route structures and conferences may well be up for grabs. The general cargo freighter, with its multiple ports of call, was a good utility infielder and certainly the Government encouraged coverage of a broad range of ports.

But the ball game is changing and phrases like "shuttle service," "feeder service," "port concentrations" are becoming increasingly common. And of course, the not-so-simple problem of investment is enormous. The maritime industry went through a large wrench in the late fifties when the mariner appeared. But the gut decisions there were simple compared to today's. In 1960, it was simply whether or not larger, faster editions of essentially proven designs were desirable. Today, it's whether the ship should be full or partial container, whether it should have ro-ro or barge carrying capability, whether it should be selfsustaining or rely on port facilities. And, of course, there are still questions of size and speed. To make the problems more fun, we are talking about ships that cost two and three times a mariner.

The laundry list of issues is long, and in the course of this meeting, I suspect you'll be hearing about a lot of them. Now I'd like to comment on a couple of what I think are the more important areas that Government and industry should focus on.

Containerization is, at least in theory, a through system. That means door-to-door service. In the case of less-than-container-load movements--perhaps 50 or 60 percent of the general cargo presently moving in international trade--it may not be in the box all the way from origin to destination, but the "system" ought to recognize the whole movement. So that presents the first requirement--a decision as to who, if anybody, is going to worry about the whole movement. The western railroads all have visited Tokyo. Some, in fact, even have offices there. But their concern seems to be to get cargo destined for inland U. S. points routed through west coast ports served by their

roads rather than to promote through shipment in general. Steamship lines, on the other hand, generally have left the overland leg at either end largely to chance or, at best, loose arrangements. The forwarders seem to be at a crossroads. Perhaps "through movements" presage a bright future for them as the master minds of the whole exercise or perhaps it is the start of their death rattle and they'll no longer have a role. In any case, it seems to me that the first thing the transportation industry has got to do is decide if it is going to offer a through service with some single entity putting the movement together and honchoing it through or if we are still going to have the same old fragmented collection of pieces perhaps patchworked together by the shippers' traffic department on an ad hoc basis?

If we are going to have through systems, the groups involved are going to have to go a great deal further than they have in the past to structure and coordinate the pieces. Where, for example, should consolidation stations be located? Who should run them? How is routing then handled? To date there has been little consistency among the answers--indeed precious few answers of any kind.

Liability is another problem. If our industry is really going to provide door-to-door service (or at least CFS to CFS), shippers and consignees have to be provided with some assurance that claims can be easily and promptly handled. Pro rata allocation of undetermined liability by distance, tariff shares, or what have you are all possibilities. The important thing is to get some industry procedures.

And, obviously, effective working arrangements must be made between the various transportation modes involved. Who is responsible for providing what equipment? Who pays for what part of the accessorial costs? What services can the steamship line expect of the port? Of the railroad, the trucker, or the consolidator?

To my mind, the foregoing simply adds up to two things. First, much has been bravely said about through movements--and rightly so since the possibilities are tremendous. But to date, there has been only partial action to resolve the issues or to execute the decisions necessary to achieve through movements. If the transportation industry as a whole can rise to the

occasion, we'll have something really new and exciting. If not, much of the potential of containerization will, to my mind, be lost.

And how far has the Government gotten? Like industry not far enough. Through or single factor rates are in my judgment a prerequisite of a real thru system. And as most of you know our proposed Trade Simplification Act deals with this issue. Yet we have not resolved how the ICC and the FMC will regulate such rates. Perhaps now that we have a pair of gals at the helms, something will be done. Nor is customs, as presently handled, conducive to expediting shipments through the ports. Some updating has got to be done here.

Common ownership of different transportation modes is an issue that transcends containerization; however, it seems to me that the Government must review this issue in the new light of containerization.

A fourth item deals with foreign boxes in domestic movement. Here things are picking up. On June 24th of this year, the Federal Register announced the rulemaking procedure which will permit foreign boxes to be used for domestic freight to positioning legs where cargo can be loaded for export. I am told that the regulation governing this new procedure should be published by Customs within 30 days.

And to be sure we are working on the dollar limits on export declarations as well as provisions on post audit, we are close to agreement with the ECE on format for a through Bill of Lading. Nonetheless, it is clear that Government like industry has a good deal of work ahead of it. And gentlemen -- we know it.

Containerization is somewhat like the group who set out to buy a new hotel. They planned to spend about \$10 million, but their negotiator succeeded in reaching an agreement on \$9,500,000. When he returned to his fellows, he said he had both good news and bad. His good news was that he had saved \$500,000. His bad news was that the seller wanted \$5,000 down.

The good news in our case is what containerization potentially can do. And that is very good news indeed. The bad news is that industry and the Government alike have a lot of down payments yet to make--problems to solve to make this potential a reality. I'm not overlooking the large investments that have already been made. What I am saying is that a large job lies ahead in money, effort and most of all in imagination. I've mentioned some of the things we are working on and some of the things I think industry should pursue. If, in fact, we all get on with the job, I think a truly new kind of transportation will be realized.

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