problems will hopefully be found.

PRELIMINARY ASSESSMENT OF THE SHIPPING ACT OF 1984: A CASE STUDY OF PACIFIC NORTHWEST AGRICULTURE

BY
KENNETH L. CASAVANT
WESLEY W. WILSON
Washington State University

The paper will identify some agricultural exporters in the Pacific Northwests perceptions of the Shipping Act of 1984. A review of the specific provisions in the Act, an examination of the perceptions of shippers towards the Act, and identification of some impacts of the Act on agricultural shippers will be discussed.

Shipping Act of 1984 Provisions

1. Conference Structure

   - The Act made little basic change in the conference structure.

   - The Federal Maritime Commission, (FMC) lost the authority to approve or disapprove carrier agreements, which, from the carrier viewpoint, made things happen faster and with more certainty. Agreements still had to be filed with the FMC.

   - The court system became the arena for the evaluation or contesting of agreements.

   - Rate agreements were streamlined to 45 days, which was important in terms of efficiency and market conditions.

   - Conferences were to remain open.

2. Mandatory Right to Independent Action

   - Individual carriers could depart from rates collusively set by conferences. This introduced both rate uncertainty and rate flexibility.

     From a shipper point of view, the Act allowed for better response to market conditions for shipments of perishable agricultural products.

   - Full market information was no longer available to all the participants in the market.

3. Service Contracts

   - Service contracts are quantity and rate agreements. For a given rate, the shipper gets a specific service. Or, the shipper gives a specific quantity and then gets a lower rate.

- There has to be public disclosure of the essential terms.

- The option to offer contracts can be eliminated by a conference.

- Most favored shipper clauses ensured that no shipper has a better rate from a carrier. Also, service contracts have "Crazy Eddie" clauses which says that if a shipper can find anyone to offer a lower rate, then the carrier has to match it.

- Contracts specify a legal minimum volume.

4. Shipper Associations

- These strengthen the bargaining position of small shippers.

- Associations are nonprofit organizations, but are not exempt from antitrust laws. But, they can apply for a Business Review letter from the Department of Justice.

Finding of 1988 Shipper Survey

The shipper survey was partially funded by the Office of Transportation of the U.S. Department of Agriculture. A mail questionnaire was sent to 174 agricultural firms in the Pacific Northwest, and 50 responses were received from major agricultural exporting firms. The responses include about 90% of the apple volume exported, 70% of the frozen potatoes and over 50% of the onions that are expected. Therefore this response reflects some of the attitudes of the major firms dealing in those commodities.

The respondents also included shippers of hay, lumber, onions, apples and frozen products. These commodities range from the extremely bulky to very high value. The average length of time in business by the responding firms was 36 years, and the average time in exporting was 21.5 years. Of the products shipped by these firms, 53% was into the export market. It is evident, then, the respondents include people who are knowledgeable in the exporting area and whose businesses depend on exporting.

Following is a discussion of the survey questions and responses:

1. Impact on Rates

- Did the Act result in increased rates?

Yes-26 firms	No-14 firms
65%	35%

- Did these increased rates cause a loss of sales?

Yes-24 firms	No-12 firms
67%	33%

- Did the increased rates cause a loss of international markets?

  Yes-11 firms   No-14 firms
  44%   56%

- Did the Act increase the volatility of shipping rates?

  Yes-32 firms   No-9 firms
  78%   22%

  This response would be expected due to the availability of independent action.

- Did the increased volatility in rates cause a loss of sales?

  Yes-23 firms   No-11 firms
  68%   32%

- Did the increased volatility in rates cause a loss of markets?

  Yes-10 firms   No-13 firms
  43%   57%

2. Shipper Desires

a. Conferences

Do you desire open conferences?

  Yes-38 firms   No-1 firm
  97%   3%

- Should the conference system be eliminated?

  Yes-22 firms   No-16 firms
  58%   42%

- Would the elimination of conferences lower rates?

  Yes-25 firms   No-2 firms
  93%   7%

b. Mandatory Right to Independent Action

- Have you utilized independent action rates?

  Yes-27 firms   No-12 firms
  70%   30%

  This response was a surprise in that many of the respondents are small agricultural shippers.

- Do you want to retain mandatory independent action?

  Yes-37 firms No-9 firms
  80% 20%

- Do you want a shorter notice period, 10 days or less?

  Yes-29 firms No-13 firms
  69% 31%

  The idea from the shippers point of view is that if they can immediately introduce independent action, then they have a better negotiating position with the carrier as the sailing date draws closer.

c. Service Contracts

- Do you want mandatory independent action on service contracts?

  Yes-40 firms No-6 firms
  87% 13%

- Should essential terms of service contracts be published?

  Yes-26 firms No-18 firms
  59% 41%

  We found that some of the companies that had been successful in negotiating service contracts did not want the essential terms published, as they were afraid that the competition might learn from their activities.

Preliminary Conclusions About the Act

- The Act may be working well in balancing the concerns of carriers as they compete in international markets, but there are concerns from the viewpoint of the agricultural shipper.

- The power of the Federal Maritime Commission has been decreased, which probably is better for the carriers. Shipper interests have increased due to provisions for service contracts, independent action and shippers associations.

- Significant impacts on agricultural shipments have occurred due to higher rates.

- Shippers maintain that rate levels and volatility and container availability problems have increased, causing some loss of sales and markets.

- Shippers want open conferences, if conferences are to be retained.

- Shippers desire mandatory independent action with a short notice period.

- The new provisions of the Shipping Act have made the conference structure fairly workable. No urgent request exists on the part of agriculture to abandon the Act, but shippers desire to modify some provisions pertaining to service contracts and independent action.

COMPETITIVE ROUTINGS VIA MINIBRIDGE AND THE PANAMA CANAL

BY
DAVID V. GRIER, HOWARD E. OLSON,
LLOYD G. ANTLE, L. LEIGH SKAGGS
U.S. Army Corps of Engineers
Institute for Water Resources

Introduction

Imports of foreign goods into the United States experienced tremendous growth during the 1980's as rapidly increasing domestic consumption, coupled with the soaring value of the U.S. dollar abroad, drove import demand to record highs. The growth in containerized imports from the Pacific Rim nations of East and Southeast Asia was particularly dramatic with the volume more than doubling from 1.3 million TEUs (Twenty-Foot Equivalent Unit containers) in 1982 to nearly 2.8 million TEUs by the end of 1987.

Traditionally, such imports moved by all-water routes to a port nearest to the final U.S destination, since maximizing the water leg generally provided the lowest cost transportation option. In recent years this pattern has changed dramatically. Today, imports from the Far East to destinations on or near the U.S. East or Gulf coasts can continue to use the all-water route, transiting the Panama Canal, or alternatively these imports can be unloaded at West Coast ports and shipped by rail "minibridge" across the country to points of destination. Conversely, imports from Europe to the West Coast of the United States can transit the Canal westbound, or these imports can be unloaded at a U.S. Atlantic port and be shipped overland by rail.

West Coast Port Container Traffic

The growth in containerized import traffic has been distributed unequally among U.S. ports. The rapid growth in traffic from the Asian Pacific Rim nations to the United States has been felt most at West Coast ports, which have benefitted from both a growing hinterland market and the use of rail minibridge to reach interior and East Coast markets. U.S. Pacific ports increased their share of the nation's container trade from 31 to 44 percent between 1981 and 1986. This increase has been almost entirely at the expense of ports on the Atlantic and Gulf coasts. However, among the West Coast ports themselves, growth has also been unequal. The ports of Los Angeles and Long Beach have experienced the greatest increase in total container throughput (import and export, foreign and domestic), growing at an annual rate of nearly 20 percent from just over 1 million TEUs in 1981 to over 3 million TEUs in 1987. Figure 1 indicates the growth in West Coast container traffic.