THE FIFTH SEACOAST

A NEW DIMENSION IN TRANSPORTATION

by

Milton Barschdorf
Port Director, Port of Greenville, Mississippi

Historically, since the founding of our great country, our very survival and subsequently our leadership among nations, has been directly related to our ability to keep open the sea lanes of the world and to develop a favorable exchange of goods in the world markets.

In the pioneer days, the great centers of population and trade were such notable seaport towns as Boston, New York, Savannah, Mobile, and New Orleans. Products funnelled to these ports from the interior by wagon, raft and canoe found their way into the lucrative world markets.

From the days of the wagon and the raft to todays more sophisticated means of diesel powered towboats pushing whole fleets of barges, high speed mile long trains, and jumbo truck trailers, we continue to funnel the products of our assembly-line, computer controlled factories and farms to the coastal ports for transhipment. Foreign products, in turn, brought into these same coastal ports are distributed by similar means back to the interior markets. Not-with-standing these tremendous twentieth century advancements in the movement of cargo, it is sad to observe that there has been little or no improvement in the related policies and procedures governing documentation and rate making which continue to operate as conceived in the days of the wagon and the raft.

Over the years, this concept of moving products for export to the seacoast ports where they are unloaded, sorted, and accumulated in warehouses, for reloading to ocean going vessels, and vice-versa for imported goods, has remained practically sacro-sanct in the export-import trade - carrying along with it a host of wasteful practices including a built-in artificial rate making process which can only be classed in these modern times as grossly inefficient, highly discriminatory, and a major shackling force to the entire transportation media. So ingrained have these artificial restraints become that even the regulatory bodies such as the Federal Maritime Commission and the Interstate Commerce Commission are being attacked for their permissive attitude, bowing to the pressures of special interests determined in their efforts to continue to funnel all export-import activity into the limited number of existing sea coast ports regardless of the high cost and related consequences to the shipper, the transportation industry, or the nation's competitive position in the markets of the world.

So glaringly obvious have these short comings become to all those familiar with transportation matters, that even Ralph Nader's so called

"Raiders" have given the subject a high priority for investigation on behalf of the consumer as reported by Time Magazine in the March 30, 1970 issue. In fact, Time quotes references to The Interstate Commerce Commission as "captive and senile at the same time." And just last week, Senator Winston L. Prouty of Vermont, for himself and several other Senators, introduced Senate joint Resolution 186 providing for the Department of Transportation to make "a full and complete study of charges for transportation of freight by all regulated modes of transportation."

Dr. W. H. Joubert, Traffic and Distribution Manager of Bowaters United States Corporation speaking just recently before the 55th Annual meeting of the pulp and paper industry summarized transportation's short comings this way. "Prevailing outmoded concepts, erroneous points of view and backward thinking are shackling the progress of container transport. The shortage and poor utilization of transportation equipment, outmoded rate making practices, excessive documentations, high insurance rates, labor problems, and lack of cooperation between transport modes are major difficulties confronting the transportation industry."(1)

Considering this trend of development of our export-import trade through existing sea coast outlets, under outmoded and discriminatory rate structures plus the high costs to the shipper of a captive service, it can be readily understood why the shippers, who pay the transportation bill, and the ship owners, who pay the port services and facilities bill as well as carry the cargo, have thrown their resources into a desperate search for more efficient means to get the products from the plant to the user at more reasonable costs so that we can better meet the increasing competition in the world markets.

Not-with-standing these restraints by outmoded concepts, the progress made by the ship owners and the shippers in their contribution to new and revolutionary developments during the past few years has been phenominal. The U. S. News and World Report in the January 12, 1970 Issue, makes this comment. "Never before has so many new methods of transportation come into being at the same time. Cities are springing up as new, much deeper harbors are dredged to accommodate the huge ships. Underdeveloped but resource rich nations are gaining affluence. Cities up river are becoming seaports."(2) Notable advancements have been made in the design of new equipment for handling cargo more efficiently and at less cost per ton. The containerization of cargo in itself is forcing revolutionary changes in the entire spectrum of the transportation industry. Mr. John L. Weller, Vice President, Hayden Stone, Inc., in an address two months ago before the Mid-America World Trade Conference stated the impact in this way, "50 new containerships may be required by American-Flag operators between 1975 and 1980. By 1975 there may be a million containers in world trade. Today the world containerships fleet, including fully and partially equipped ships amounts to 308 ships with a capacity of 104,000 boxes, with a total of 300,000 containers in use."(3) A study of goods shipped internationally shows that 70% of all cargo moving in major trade routes are suitable for packing in containers. By the Mid-1980's 85% could be containerized. (2)

In still another field, mammoth vessels to move greater quantities of cargo at greater speeds are being put into use. Present tankers of 316,000 ton capacity now operating between Kuwait and Bantry Bay, Ireland, drawing 81 feet couldn't get into any present U. S. port - they would run aground long before reaching the Statue of Liberty - and still larger ships are on the drawing boards. The "LASH", "SEABEE", "STRADLER", and "BOB" programs, all of which provide basically for loaded barges to be carried en-toto by "mother" ships direct to foreign ports, loaded once at the shippers pier and unloaded at the receiver's terminal, are concurrent tremendous developments.

All these, tho great as they are in their impact upon lowering the costs of handling and moving export-import cargo, are still forced to operate under the existing antiquated, wasteful, and discriminatory rate structures, and are still dependent upon the consolidation of movements and related services through the high-cost bottleneck of existing seacoast ports.

About six months ago, on 10 September 1969, a completely new concept and perhaps the one which will have the greatest impact upon the transportation industry as a whole was inaugurated at the River Port of Greenville, Mississippi.

This concept, in effect, represents a reversal in the trend to ever larger vessels operating through ever increasingly congested sea coast ports. Appropriately enough, it is called the Mini Line Service. Ocean going vessels designed to negotiate the inland waterways system now offer direct export-import service from the river ports to the Caribbean Islands, Central America, and the Northern tip of South America, Venezuela and Columbia. Two vessels are presently on this schedule, the "MINI LUCK" and the "MINI LORD." Their capacity is 3100 tons each or 120,000 cu. ft. with operating radius of some 4500 miles. Each has its own crane on deck to operate in remote ports where handling equipment may not be available. The ship is highly automated, requiring a crew of from 6 to 8 for full operation. At 3100 tons, the draft is 15 1/2 feet. Studies of river conditions indicate that a 15 foot navigable depth is available up to the Port of Greenville, Mississippi, over 92% of the time. Only under extreme low water conditions does the draft reach 9 feet at certain cross channel bars and then only for a very short period of time before being remedied by the Corps of Engineers. Advance notice of these conditions are given in ample time for precautions to be taken if necessary.

The Mini Line Service is owned and operated by the Seres Shipping, Inc., a New York Corporation, part of a large Greek-owned complex of several ocean shipping companies. Over 100 mini ships are scheduled for inclusion in the fleet in a $50 million construction program. The first two vessels have been placed in the Mississippi River trade. Others have been placed in the Far East trade and still others are scheduled for the Mediteranean Area. Mr. George P. Livanos, President of Seres Shipping, Inc., projects from 10 to 20 ships operating in the inland waterways system of the United States. Although these initial ships are carrying cargo only in the Caribbean trade routes now, the ultimate plans are to provide a rendezvous point somewhere in the Caribbean where these mini vessels may exchange their cargoes directly with larger ships with cargo from all parts of the world. Thus, in effect, every inland waterway port accessible to the mini ship will become an export-import center of shipping direct to all parts of the world. Mr. Livanos very aptly calls this inland waterways outlet our Fifth Seacoast.

And how does the shipper benefit as well as the ship owner?

First - The mini ships bring and pick up the cargo directly at the river port closest to the shipper. It can reach inland ports hitherto inaccessible to ocean going vessels. Distribution by the higher cost truck and rail is thus cut to a minimum.

Second - The mini ships may by-pass the congested sea coast ports by going through Old River Lock and down the Atachafalaya River to the Gulf. This route not only saves expense of deep water pilot navigation from Baton Rouge to New Orleans and to the Gulf but also shortens the run between the Gulf and the Port of Greenville by 175 river miles.

Third - The shipper saves the difference between the higher cost rail and truck vs. water shipments on the long inland haul to coastal ports.

Fourth - The shipper saves time and expense in all port operations including berthing, ship handling, cargo handling, and ship services.

Fifth - Savings are realized from fewer number of times cargo must be handled, including lessening of pilferage and damage claims, as well as lowering insurance premiums.

Sixth - The mini ships are readily adapted to handle containers which provide flexibility to move all types of standard and special cargoes from frozen foods and refrigerated items to liquid bulk products, all at minimum costs to the shipper.

One of the most significant long range effects of the mini line service will be reflected in the added attention forced upon the truckers and the railroads to improve their short haul services both in cost and efficiency by discarding the time worn, wasteful practice of cutting rates to favor the long haul to the coastal ports even when it means operating at a loss. In fact, the long rail and truck haul at depressed rates to the coastal ports faces the proposition of having defeated its own purposes. Take for example, the shipper with his plant located in Decatur, Illinois. He ships a product, say, glucose, in large quantities to an overseas destination. The long haul rail route to New Orleans is about 1100 miles, the preferential export rail freight charge, $22.40 per ton. If this same shipper desired to ship the same product by the same railroad over the same track in the same quantities to the inland river Port of Greenville, a distance of about 700 miles, the "adjusted" rail freight charge is $23.20 or 80 cents more per ton even though the haul is 400 miles shorter. Not only that, when the freight car gets to New Orleans, the railroad obligingly pays for the unloading, $1.75 or more per ton. This is the back door approach which in effect cuts the rate further under the guise of absorbing the handling charges. On the other hand, when the freight car gets to Greenville the magnanimity of the railroad ceases and the shipper must pay an additional charge for the unloading. It is obvious under these circumstances that the shipper has no recourse but to ship via the long haul at a rigged lower cost.

With the flexibility offered by the mini line service, the shipper now has the alternative of choosing the major river port closest to his plant, or as applied to this illustration, he would choose St. Louis, a major distribution center less than 135 miles from Decatur. Here the competition among all carriers is keener and the glucose can now be moved a minimum distance of only 135 miles, perhaps at a higher per ton mile short haul charge, but still at an appreciable savings in both time and money over the 1100 mile haul at depressed rates to New Orleans.

This illustration can be repeated many times over with a wide variety of products from various locations throughout the Mid-Continent of the United States. The inference being this, for the first time since the era of the wagon and the raft, a new concept of transportation has been introduced which provides a choice and opportunity for the overseas shipper to move his products by the most economical means available through the nearest port be it river, lake or seacoast. By virtue of this alternative, the railroads, truck, and barge lines are now provided with a much greater incentive to alter the ancient, outmoded, and wasteful tactic of artificial and preferential rate treatment and come up with something more fair and reasonable and more consistent with the costs per-ton-mile. In other words, cooperate in a sincere and determined effort to provide for the optimum routing of cargo, regardless of mode. It is already proved to be a matter of fact that the short haul is the railroad's largest and most profitable business so it is difficult to understand why they cling so doggedly to the long haul even when it means a loss to be made up by overcharging on the short haul or on the routes where there is less or no competition.

Mr. Alan S. Boyd, President, Illinois Central Railroad, recognized this point of minimum return to the railroads on the long haul in a speech he made before the National Council of Physical Distribution Management in New York on October 21, 1969. He stated, "The future success stories in transportation will be built upon tonnages that are expensive, swift, light and short. Eighty per cent of transportation dollars spent goes into carriage less than 300 miles long. Rails must regain short haul traffic. I doubt that such concentration on heavy, long, slow, low-revenue tonnage is going to significantly improve the present fortunes of the railroad industry. The success or failure of the industry will be determined in the area where the bulk of the money spent for transportation is spent - the short-haul market." (5) This certainly represents a step in the right direction, however, it should be added here that only four months later on February 17, 1970, Mr. Sheldon Laudy, Mr. Boyd's Manager of Marketing Services was quoted in the Journal of Commerce, "Illinois Central lines run from the highly industrialized Chicago land area to the

Gulf of Mexico where it serves the Port of New Orleans. . . our marketing efforts have been directed toward maximizing our market penetration in both export and import traffic to and from the Gulf." (6) For the general good of the transportation industry let us hope that the Illinois Central Rail Road adopts the views of its president, Mr. Boyd.

Another railroad executive, Mr. Owen Clark, Vice President, Chesapeake and Ohio-Baltimore and Ohio Railroads, in a speech before the American Society of Traffic and Transportation at a seminar at the University of Missouri earlier this year, expressed the challenge this way, "To survive a population explosion of nearly 60% in less than half a century, and to keep pace with a space-age America, the transportation industry must deliver its vital service in the most efficient manner possible. We must offer this nation distribution techniques that match its need. Choosing from the inherent advantages of every mode of transportation - the low costs of rail and water operations, the flexibility of tailored service of motor carriers, and the speed of the airlines - we must be free to combine these inherent advantages into truly coordinated services. Distribution must replace transportation in our vocabularies." (7)

Please note the word - distribution - the very basis upon which the Mini Line Service provides the means to a more efficient, coordinated service among all carriers thereby offering the shipper the best possible service at a minimum cost.

In summary, a totally new dimension has been added to the transportation industry by the inauguration of the Mini Line Service with headquarters in the Mississippi River Port of Greenville offering direct export-import shipments through the river ports of the inland waterways system. This new service presents an opportunity for cooperation among the various modes of transport to discard outmoded and inefficient practices and provide the shipper with the best possible service at fair and reasonable costs so that his product can be more competitive in the world markets. The resources of the Fifth Seacoast, our Inland Waterways System, are finally being tapped and made available to strengthen our nation's position in world trade.

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