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## Fewer strings to carriers' bows

There are two patterns conspiring to make life miserable for carriers these days: dropping demand, and excess capacity made worse by new ships being delivered this year.

The interesting thing is that for the carriers that survive, those two trends will shape services going forward. Take for example, the recent announcement by Hamburg Süd, CMA CGM and Zim that they were knocking their two-string Mediterranean/East Coast of South America service down to one string, but upping the capacities of the vessels involved in the service.

The fact that demand is way down this year gives the lines a perfectly good reason to withdraw capacity, but it also serves as a way to introduce larger vessels into services. Bigger ships mean more weekly capacity per loop. Bigger ships also mean better productivity per sailing (as long as the ship is full, that is). So as long as the ships aren't too big for the trade, larger vessels give carriers cost advantages over carriers using smaller vessels.

In a down market such as this, these cost advantages may not seem so noticeable. In fact, plugging bigger vessels into services in this environment may attract double takes. But the long-term idea for carriers is to grow business in specific trades so that when demand rebounds, those carriers occupy a more dominant position than they did before demand dropped. Much as investors are told to double down when the stock market is bear and share prices low, carriers with the ability (re: cash flow and large vessels) to take the short-term pain will likely be rewarded when the roller coaster starts rising toward the next hill.

The Hamburg Süd example isn't the only one, either. Multi-string services have been condensed on nearly every trade in the past six months. It will be interesting to note later this year who has survived and who will be the better off for weathering this perfect storm. *(Eric Johnson)*

## Checking on the check that's in the mail

The economic downturn means steamship lines and intermediaries are seeing more late payments from customers, reports Marcus L. Arky, a principal at Metro Group Maritime in New York, which specializes in collections for liner and logistics companies.

It's a tough situation for carriers who are already feeling the pinch from both declining freight rates and volumes. His best advice is for carriers to keep on top of receivables.

"If your terms were net 30, maybe you want to consider net 15. If you make your first collection call at 15 days past terms, maybe you want to make it at seven. I would cut in half, if not more, the timing of your standard collection procedures. The squeaky wheel gets the grease," he said, noting that shippers may be in arrears to several companies.

Some carriers are turning to his company more quickly as well. Where lines used to turn over accounts for collection after anywhere from one to six months, he said more are realizing that waiting four or more months "is a recipe for recovery disaster. Some clients turn to us even sooner because they have less of an in-house collection effort."

Another change Metro Group is observing is a change in the mix of debtors. The company used to have a bigger percentage of what Arky said were frankly "people looking to take advantage."

Now the company is seeing more honest companies, often willing to be candid about their financial difficulties and not offering pretexts as to why they can't pay.



Arky

Even in those cases he suggests there “is probably some money available. Whoever is the most proactive, whoever makes the most phone calls, can probably get some money, work out a payment plan, get something started.”

While doing more freight collection work, Arky said another arm of Metro that does collections work centered around equipment issues, such as per diem container charges, damaged and lost containers, is seeing a decline in business as freight volumes fall. *(Chris Dupin)*

## Paying the cost of CFOs’ idea of cost savings

Your editorial, “Pay now, or pay later” (March *American Shipper*, page 64 and online at [AmericanShipper.com/opinion](http://AmericanShipper.com/opinion)) is an excellent assessment! There is a steady trend of eliminating experienced personnel in the logistics industry, which, in the chief financial officer’s mind, represents cost savings.



The few seasoned professionals, left in most organizations, are up to their ears in additional work, filling holes, doing increased troubleshooting forced by untrained staff, and having only limited time to stay proactive in the ever-increasing flood of government compliance, which very often lacks the practical input from parties generating and involved in international trade.

### Hans Pirolt

*vice president, IFF Inc.  
College Park, Ga.*

## The politics of 100%

Rep. Peter DeFazio used Janet Napolitano’s first hearing as secretary of homeland security to ask about her view on scanning 100 percent of ocean containers at overseas ports.

The Oregon Democrat talked tough during the hearing about the Bush administration allegedly attempting to circumvent the law, but meekly accepted Napolitano’s explanation that essentially sided with her predecessor’s policy.

“My initial view is that the 2012 deadline is not going to work and we’re going to have to work on what we do beyond that,” Napolitano told the House Homeland Security Committee. “To do 100-percent scanning requires, for example, agreements with many, many countries. There are lots of issues with that. There is a difference between screening and scanning in the lexicon of the cargo world and I believe we’re close to 100-percent screening now. So, my initial view is that the 2012 is a deadline that may not be reached under the current state of the program.”

DeFazio said he never understood the Bush administration’s position that it couldn’t scan containers overseas but would scan all containers before they left U.S. ports for the interior of the country.

“I guess that made our ports sacrifice zones,” he said.

Let me see if I can help out.

Mr. DeFazio, the scanning to be done in foreign ports involves large-scale X-ray or gamma ray machines and is difficult to pull off because each port is configured differently and may lack the space to stage containers in a row. Then you’ve got time, manpower, legal, diplomatic, technical and logistical issues to resolve in each port. When DHS talks about checking 100 percent of imported containers on U.S. soil it is referring to radiation detection, not scanning. Every container at major seaports passes through a radiation portal monitor on its way to the truck exit gate or to on-dock rail stations. Although there are still problems with the radiation detectors, they can take readings without any disruption of normal work flows. It’s a different system.

You should probably know the distinction by now. *(Eric Kulisch)*



**DeFazio**

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