

38

# coordinated caribbean transport, inc.

A TRANSPORT CO.

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April 19, 1977

His Excellency Gustavo Ycaza  
Ambassador of Ecuador  
2535 Fifteenth Street, N. W.  
Washington, D. C. 20009

Dear Mr. Ambassador:

We wish to thank you for the opportunity you gave us through the good offices of His Excellency, Guillermo Sevilla Sacasa, Ambassador of the Republic of Nicaragua to the United States, to express in person our deep concern over the approval of Resolution 6/77 by the Bureau of Merchant Marine and Ports of the Republic of Ecuador. This letter sets forth in some detail the specific nature of our concern so that you will be in a position properly to appraise our position.

Resolution 6/77 is designed to implement the Cargo Preference Law governing merchant marine traffic between Ecuador and the United States. Specifically, it would restrict all commerce between the two countries to vessels flying the flags of Ecuador, the United States, or Columbia, or vessels affiliated with Ecuadorian flag companies, and it would require that all carriers engaged in such commerce be members of a conference.

Of course, we are not opposed to either the Cargo Preference Law or Resolution 6/77, as they are clearly matters within the province of the Government of Ecuador, designed in the long run to promote and strengthen the country's trade with the United States and its merchant marine. However, the immediate implementation of Resolution 6/77 in its present form would have the effect of eliminating our company, Coordinated Caribbean Transport, Inc. (CCT), from the U.S.-Ecuador trade, thus disrupting existing shipping arrangements and expectations, and would almost certainly redound to the detriment of U.S.-Ecuadorian commerce, and hence of the Government of Ecuador, in the immediate future.

His Excellency Gustavo Ycaza  
April 19, 1977  
Page Two

Some background information is essential to an understanding of our position. CCT, a U.S.-owned company, is a subsidiary of Transway International Corp., whose stock has been traded on the New York Stock Exchange since 1932. Transway specializes in domestic and international intermodal freight transportation and distribution.

CCT, founded in 1961, has pioneered in the development of intermodal transportation in Central and South America, featuring, specifically, roll-on/roll-off ocean trailer service not available from any other company. This development has made significant contributions to the growth and development of Latin American economies.

Our unique door-to-door service, which takes piggyback trailers from all areas within the United States to inland destinations in Latin America, ensures shippers and consignees of direct service and provides a timely method of transporting cargo, resulting in the elimination of costly packaging or crating, unnecessary delays, pilferage, damage to goods in transit, high insurance costs, and congestion in the Latin American ports.

Southbound from its home base in the Port of Miami, CCT carries consumer goods of all types, road construction equipment, industrial machinery, vehicles and trailerloads from anywhere in the U.S.A. Small shipments (LTL) are consolidated and loaded into trailers at the Port of Miami. At the port of destination, the trailers are hooked up to locally-owned tractors and taken inland. From the time the trailers are loaded until they are delivered, the freight is sealed in the trailers, untouched, and protected from pilferage and damage.

After unloading at their destination, the trailers, all of which have refrigeration capability, are taken to the exporter's loading facilities. Meats, shrimp, plantains, vegetables, fruits, balsa, coffee, lumber and industrial products are loaded and the trailers returned to the port of embarkation for the return voyage to Miami. In Miami, the trailers are unloaded into local freezers or warehouses or taken on to their final inland destination.

His Excellency Gustavo Ycaza  
April 19, 1977  
Page Three

In 1974, with thirteen years of experience serving Central America and Panama, CCT inaugurated its service to Ecuador. Our regularly scheduled service has been welcomed and supported because of its many features not offered by conventional vessels to the importers and exporters of Ecuador. We attempt to list below some of the benefits we have introduced in the Ecuador traffic.

1. CCT provides the first and only Roll-On/Roll-Off service to Ecuador.
2. CCT is a regularly scheduled independent service with lower freight rates. CCT's service to Ecuador created an element of competition which had never existed in the history of the traditional Conference shipping lines. This resulted in a substantial reduction of freight rates and a corresponding saving of foreign exchange, not only with respect to goods shipped via CCT, but also with respect to those shipped by the Conference lines. Thus, in the latter part of 1976, the Conference increased its rates to other countries of South America, but not to Ecuador. And, in February 1977, when the Conference rates went up again, it did not increase the rates for commodities covered under Item 995 of the Conference Tariff, which in essence covers the major commodities which move through CCT.
3. CCT's modern trailer concept has helped Ecuadorian exporters, both those long established and those which are new and small. For example, our refrigerated trailer service has provided for the first time a means for the small growers of El Canton de El Carmen to export their plantains. In June 1976, the Concejo Cantonal wrote us:

"With its door-to-door service CCT has made possible the opening of important new markets. With the intermodal concept, El Carmen has grown in less than two years to be the first exporter of plantains of the country. It has been able to export whereas before because of lack of adequate service there existed a great percentage of spoilage."

His Excellency Gustavo Ycaza  
April 19, 1977  
Page Four

Our system has also enabled exporters of balsa to increase their sales -- because of the minimum handling.

4. Ecuadorian importers have been able to reduce their inventories because of our reliable service. These statements are not merely the product of our efforts at self-promotion. The Government of Ecuador recently formed a committee to evaluate CCT's service to the country. This commission included delegates from the Ministries of Finance, Public Works, Chamber of Commerce, Marine Development and the Chamber of Agriculture. It was headed by Colonel Gustavo Vaca Rulova from the Ministry of the Government. After a careful review, the commission concluded in February 1976:

"Intermodal transport is useful to the country.... This service develops the exportation, especially in nontraditional products with positive effects to the economy of the country."

In addition, in an effort to improve further our service to Ecuador, our company has signed joint contracts with the Maritime Administration and designated U.S. shipyards for the construction of two Artubar vessels (articulated push barges) with 220 trailer equivalents per vessel, at a cost of \$21,250,000 per vessel, with a construction subsidy of \$19 million from the United States Government. The first of these vessels will be ready by the end of the present year and they will sail under U.S. flag and be used in the Ecuadorian service.

This brings us back to the impact of Resolution 6/77. If implemented immediately, it will force CCT out of the U.S.-Ecuador trade, at least until the new vessels are in service, since at present our ships fly the flag of a third country. This will terminate, or at least very substantially interrupt the benefits we are able to provide to consignees and shippers in Ecuador, and will also, of course, inflict substantial economic harm upon our company.

His Excellency Gustavo Ycaza  
April 19, 1977  
Page Five

The hardships created by the disruption of shipping expectations and arrangements involving CCT by application of Resolution 6/77 will be especially severe in light of the fact that Ecuador only has one vessel at this time with an Ecuadorian flag serving the East Coast of the U.S.A. Because of this, we feel that companies in the trade should be given the opportunity and sufficient time to affiliate themselves with Ecuadorian flag vessels. It must be remembered that any agreement involving the traffic to the U.S. must be filed and approved by the Federal Maritime Commission before such a service can be initiated. Also, it must be taken into account that freight is routed months in advance and that the interruption of service of any of the third flag vessels would result in a tremendous inconvenience to the Ecuadorian exporters and importers.

On two separate occasions during the week of March 27, 1977, CCT met with Comandante Cevallos to express our desire to affiliate with Transnave. Our letter of April 5, 1977, confirmed our desire to affiliate. However, no answer has yet been received to our petition.

There is another serious difficulty with immediate implementation of Resolution 6/77; namely, the requirement that all carriers be members of a conference. This not only could terminate for the foreseeable future CCT's participation in the U.S.-Ecuador trade, but it would also certainly result in much higher rates for the kinds of services we have provided, which have proved so valuable to Ecuadorian exporters and importers. CCT is not at the present time a conference member, and we have remained independent precisely because the structure and regulations of the Conference penalize our intermodal operations, specifically, the use of modern containers and trailers. We have thus believed in the past that we could provide better service to our customers at much lower rates by remaining independent of the Conference, and our sixteen years of experience in Central America and two and one-half years of service to Ecuador have borne this out. We would, of course, seriously consider joining a conference if it were to alter its regulations and encompass the intermodal concept within its rate structure. Until that happens, we respectfully submit that the requirement of conference membership is discriminatory and most certainly works to the detriment of efficient low-cost U.S.-Ecuadorian trade.

His Excellency Gustavo Ycaza  
April 19, 1977  
Page Six

We understand fully that the intent of the Government of Ecuador in passing Resolution 6/77 is to improve its maritime capabilities, and we are in full accord with this goal. We are also certain that the Government does not desire to frustrate CCT's efforts to continue to provide regularly scheduled unique service to and from Ecuador. Yet, that unfortunately will be the unintended effect of immediate implementation of Resolution 6/77.

For the foregoing reasons, we submit that the implementation of that Resolution would be (1) unfair as between common carriers serving the trade between Ecuador and the United States, (2) not in the best interests of the foreign ocean-borne commerce of Ecuador or of the United States, and (3) disastrous to the shipping public. Relevant agencies of the U.S. Government, including the State Department, the Federal Maritime Commission, and the Maritime Administration, have expressed grave concern over the effects of Resolution 6/77. Indeed, the Department of State has communicated this concern to the Ecuadorian Government through its Embassy in Quito. In addition, Chairman Murphy of the Committee on Merchant Marine and Fisheries of the U.S. House of Representatives has indicated his strong interest and concern.

We respectfully request that CCT be permitted to continue to operate with a waiver of the U.S. or Ecuadorian flag requirement until its U.S. flag ships are in operation, or that it at least be permitted to affiliate with a national line and operate under a waiver until such affiliated service is approved by the Federal Maritime Commission, in order to continue to serve the shippers and importers of both countries without interruption. We also must emphatically urge that the requirement of conference membership is contrary to the best interests of trade between our two countries.

Very truly yours,

Robert J. Frulla  
Washington Representative  
Coordinated Caribbean Transport, Inc.