Ohio Sea Grant

THE GREAT LAKES PORT RANGE: NETWORK MARKETING STRATEGIES FOR INTERNATIONAL CARGOES

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PREFACE

The Great Lakes Region has not fully developed its potential for international markets via the St. Lawrence Seaway. The following report documents the finding of a research project which focused on the network marketing aspects of this problem. It contains analyses of 1) the cargo market, 2) Great Lakes Range transportation, and, 3) Great Lakes port marketing strategies. Recommendations are provided for a marketing plan and strategy for the Great Lakes Cargo Marketing Corporation, a non-profit corporation organized in 1982 by the Great Lakes Commission and several port authorities to enhance Great Lakes Commerce.

The author of this technical bulletin, William S. Weiant, is a life-long resident of the Great Lakes region. Mr. Weiant conducted this research in 1982 as part of his graduate program in the Department of Marine Affairs, University of Rhode Island. The project was conducted under the direction of Dr. A.J. Alton, College of Business Administration. Presently, Mr. Weiant is business manager of a resort complex in the Bass Islands of Lake Erie. He also serves as an adjunct research associate with the Ohio Sea Grant Program at Franz Theodore Stone Laboratory, Ohio State University's research station on Lake Erie.

The Ohio Sea Grant Program is pleased to make the information contained in this report available to the transportation community of the Great Lakes Region and others interested in enhancing water-borne commerce on the Great Lakes. Readers' comments are most welcome.

Charles E. Herdendorf
Director

TABLE OF CONTENTS

		PAGE
I.	EXECUTIVE SUMMARY	1 - 2
II.	SEAPORT MANAGEMENT AND THE MARKETING ENVIRONMENT	3 - 5
III.	THE GREAT LAKES PORT RANGE: A Special Problematic Environment for Port Marketing	5 - 11
IV.	GREAT LAKES COOPERATIVE PORT MARKETING PLANNING	11 - 14
V.	GREAT LAKES COOPERATIVE PORT MARKETING: The Secondary Marketing Plan, Segmentation and Strategy	14 - 27
	A. OCEAN CARRIERS Recommendations For The Marketing Mix	15 - 17
	B. SHIPPERS/CONSIGNEES Recommendations For The Marketing Mix	17 - 21
	C. LANDSIDE TRANSPORTATION AND ANCILLARY SERVICES Recommendations For The Marketing Mix	21 - 24
	D. THE PUBLIC SECTOR Recommendations For The Marketing Mix	24 - 27
VI.	RESULTS OF THE GREAT LAKES PORT MARKETING SURVEY	27 - 30
	A. BUILDING THE MAIL QUESTIONNAIRE	27
	B. DATA ANALYSIS	27 - 30
VII.	GREAT LAKES CARGO MARKETING: Concluding Remarks	30 - 33
	A. ELEMENTS OF THE MARKETING MIX	30
	B. THE CORPORATION'S PRIMARY MARKETING PLAN	30 - 32
	C. THE CORPORATION'S SECONDARY MARKETING PLAN	32
	D. MAXIMIZING THE REGIONAL IDENTITY	32 - 33

TABLE OF CONTENTS (Cont.)

APPENDICES:

I. ENDNOTES/BIBLIOGRAPHY

II. EQUALIZATAION ZONE

III. GREAT LAKES CONTAINER CAPABILITIES

IV. GREAT LAKES CARGO MARKET SEGMENTS

V. TRADE AND CARGO DATA SOURCES

VI. REPRESENTATIVE ROUTE COST COMPARISONS

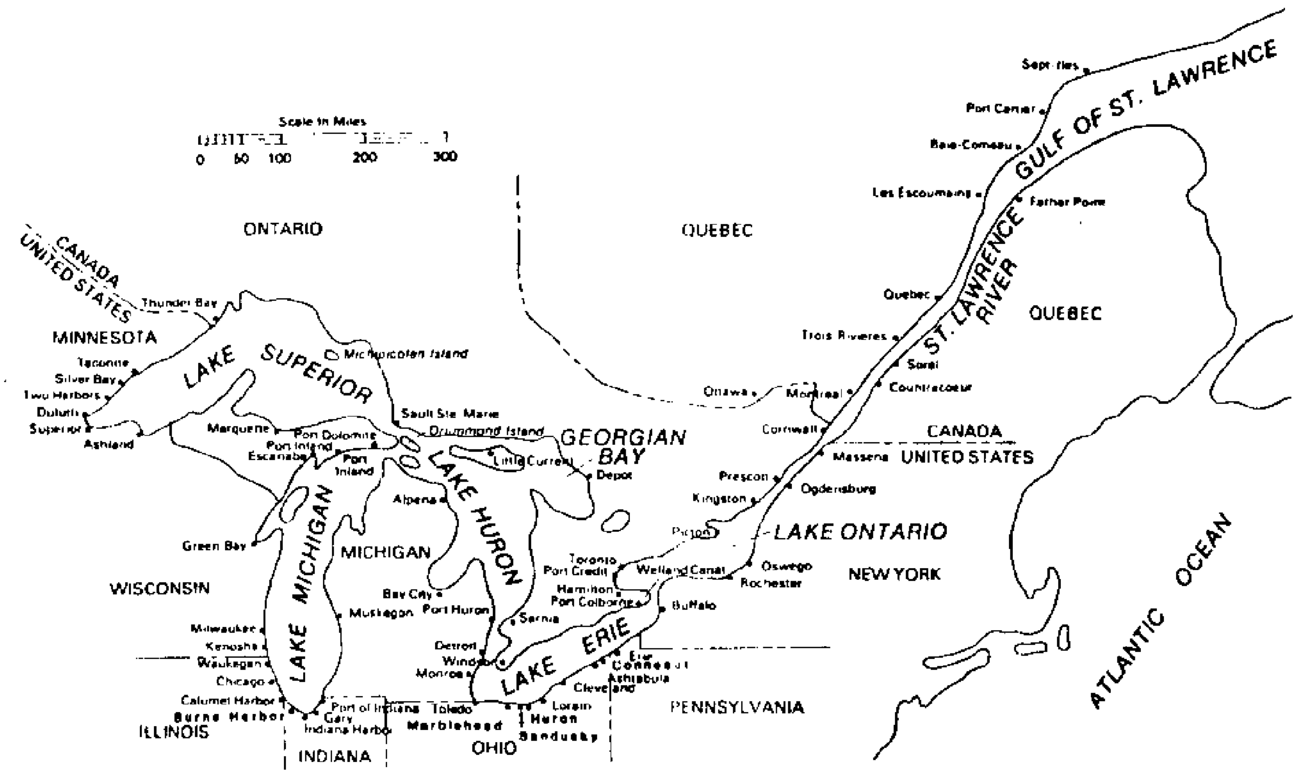
VII. EXPORT TRADING COMPANY SUMMARY

VIII. PORT MARKETING QUESTIONNAIRE AND COVER LETTER

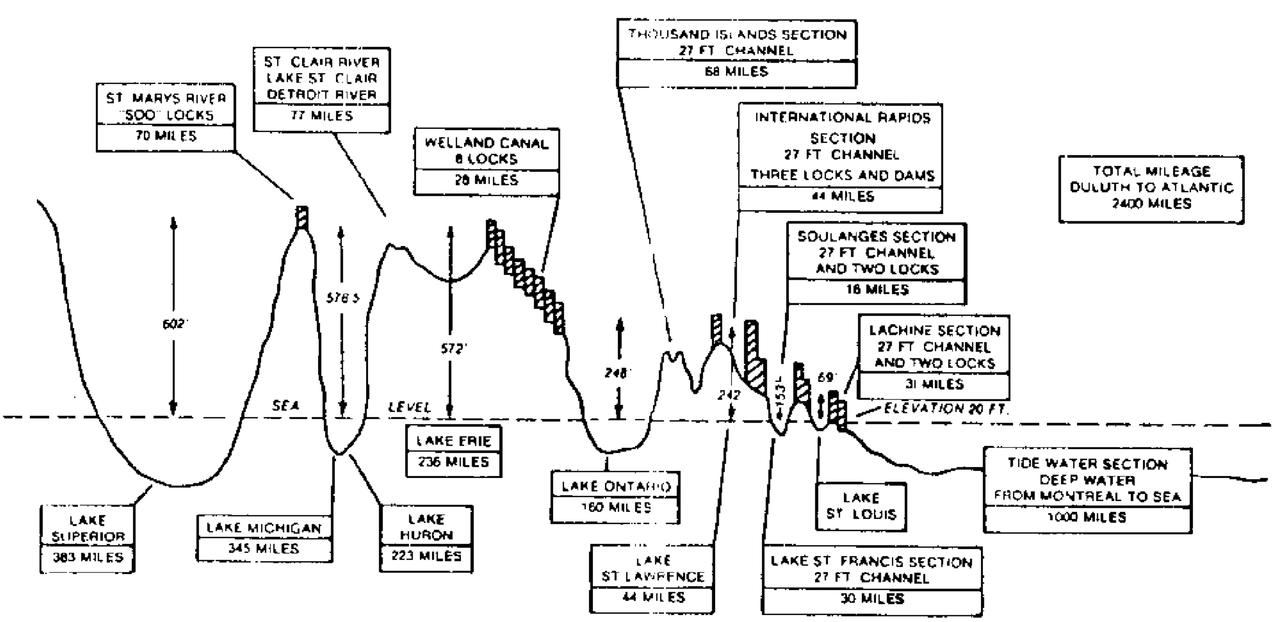
IX. TIDEWATER RANGE FIELD REPRESENTATION

LISTS:

	PAGE
PORT MARKETING OBJECTIVES	11
GREAT LAKES COMBINATION AND BULK PORTS	12
GREAT LAKES CARGO MARKET SEGMENTS	14
OCEAN CARRIER OPERATIONAL OBJECTIVES	15
SHIPPER/CONSIGNEE ROUTING FACTORS	17
CARGO MARKETING SERVICES	18
PRO FORMA CARGO ROUTE INVENTORY	21
STATE CONSULATE SERVICES	26
GREAT LAKES CARGO MARKET TARGETS	28
PORT USERS AS TARGET MARKETS	28
PROBLEMS WITH TRADITIONAL PORT MARKETING	31



The Great Lakes-St. Lawrence River



Profile of the Great Lakes-St. Lawrence Seaway

Source: U.S. Department of Transportation, National Transportation Trends and Choices, Washington, 1977, p. 264.

I. EXECUTIVE SUMMARY

This report is the product of an independent directed study which was coordinated by Dr. A.J. Alton of the College of Business Administration at the University of Rhode Island. The topic under consideration is the use of a cooperative port marketing entity which has been proposed to enhance the cargo market shares of participating ports. The geographic area under consideration is the Great Lakes port range. The entity under consideration is the Great Lakes Cargo Marketing Corporation which was incorporated in the city of Chicago in July of 1982.

Many Great Lake port directors have recently concluded that one major reason for the Lake range's declining cargo market share is directly related to the inadequate use of marketing resources and errant marketing strategies. United States ports have traditionally relied on an autonomous port marketing approach to promote their respective services and facilities. This traditional approach is geared to the historical isolation of ports from each other's competition. However, this isolation (or lack of considerable hinterland overlap), no longer exists given today's intermodal transport network. Since the late 1950's with the advent of the extensive interstate highway system and the more recent series of railway mergers and consolidated networks, even the geographically detached ports of the East and West coasts are often engaged in intimate competition with each other. A recent response to this development is the idea that the U.S. port ranges (North and South Atlantic, North and South Pacific, Gulf, and Great Lakes), may find it to their advantage to reposition themselves in the competitive cargo market by consolidating their respective marketing efforts to reflect the existing consolidated landside transportation network. In effect, range competition will supercede individual port competition. Given the well-worn tenet that "cargo attracts cargo", the range marketing mentality generates the corolary: "What's good for one port in the range is good for all ports in the range". Several Great Lakes ports are willing to pioneer this heretofore unorthodox mentality, and have formalized this willingness by subscribing to the range marketing services of the non-profit Great Lakes Cargo Marketing Corporation (hereafter referred to as the Marketing Corporation). While several facsimiles of the range or cooperative marketing theory pepper the seaport industry, no single effort has been on the scale proposed by the Lake range: which perhaps by having its "back to the wall", is ripe for creative innovation.

Through the use of an extensive literature search, personal interviews, and a short mail questionnaire, the study establishes the ultimate desirability of implementing a Lake range cooperative marketing venture. However, like most other innovative ideas, "cooperative port marketing" has suffered, and will continue to suffer, from venture-related handicaps, namely; ambiguities relating to resource allocation and budgeting, identifying target markets, image building, and disruption of the status quo or traditional business practices. In addition to these universal problems of new venture planning the Lake range Marketing Corporation (and the planning which preceded its incorporation), is fraught with special problems.

First, the primary marketing plan (the plan used to solicit port support for the Marketing Corporation), was incomplete and too theoretical. As a result of this only approximately 30 percent of the Lake ports are actually supporting the corporation. Some ports have never supported the cooperative concept and are determined to remain autonomous. Others complain that the venture is based on erroneous assumptions concerning the cargo market. Moreover, one port official claimed that he was actually threatened with promises of reprisals, by cooperative marketing sympathizers, if his port did not support the corporation in the near future. These and other special problems regarding the primary marketing plan are identified in this report and recommendations are offered to rectify the situation.

Another special problem with the cooperative marketing concept is couched in the implementation of the secondary marketing plan. This plan is directed at the existing and potential users of the Marketing Corporation's services; including the ports themselves. Using several consultant studies as a foundation, four user or target markets can be identified: 1) Ocean Carriers, 2) Shippers/Consignees, 3) Landside and Ancillary Services, and 4) The Public Sector. The secondary marketing plan was designed to meet the cargo information and service needs of these markets. Once again however, this plan is rife with ambiguities which helps to create an unrealistic "pie in the sky" strategy. This report analyzes the service market targets or segments and provides recommendations for each. The major goal in revamping a realistic secondary marketing plan is the strategic ability to provide integrated transport data and rate and route comparisons and relaying these "pro forma route inventories" to ports, carriers, and shippers. The recommendations embrace the belief that through proper planning the Marketing Corporation can provide a "one-stop" integrated import/export service function that is not available anywhere in the U.S.

We can conclude that the cooperative port marketing venture, being ahead of its time, will encounter significant growth pains. We can also conclude that given the present failure of traditional marketing practices in the range, a cooperative venture is a viable option. However, the Marketing Corporation will best succeed if it endeavors to augment, rather than replace, traditional port marketing practices. In addition, we can conclude that the primary and secondary marketing plans must undergo significant alteration if the Corporation desires to ensure its long-term success. If the planning ambiguities are not rectified we can predict that the Corporation will fail in the long-term (five years). Furthermore, given the nature of ports as public sector entities we can predict considerable difficulty in integrating this character with the private sector character which dominates the existing transportation network.

The fields of transportation and physical distribution embrace complex and sometimes conflicting theories. We have made every effort to select those assumptions which have demonstrated merit. Moreover, we are more concerned with the general cargo market rather than the bulk cargo market and this report will reflect that bias. Some aspects of the marketing mix, such as pricing, are not extensively covered. However, there are some excellent references which we have included in the bibliographic appendix.

In December of 1982 the Marketing Corporation installed its first president. When he finalizes the marketing plan it should be an easier task to predict success or failure. Above all else, the sponsors of the corporation should allow the entity to be flexible and experimentally-oriented during its infancy.

II. SEAPORT MANAGEMENT AND THE MARKETING ENVIRONMENT

This section serves as an introduction to the complicated political, economic and social environment within which a port must operate. The resultant Lake port marketing strategy should properly reflect the dictates of this total environment.

Since World War II, the Lake ports have been autonomously organized as quasi-government institutions. Most of the ports have moved from a municipal department status to a municipal-county authority. A politically appointed Board of Commissioners normally presides over the long-term planning of the port and the day-to-day operations are delegated to the port's executive director.[1] This political environment can lead to fruitful and cogent planning as well as to inept management and scandalous neglect. This bittersweet phenomenon is often a handicap to the port as it is the only link in the "cargo motion chain" which is geared to pragmatic planning rather than the higher risk venture planning which the other "links" employ. A general exception to the pragmatic rule is found in the New York-New Jersey Port Authority which since 1921 has been the pace-setting example to all aspiring ports. It should be added, however, that this large port authority employs over 5000 persons, manages many operations in addition to its seaport, and is most probably a spurious standard for the Lake port authorities which normally employ an average of 10 persons, and which operate more or less independently of other operations.[2]

As aforementioned, the Lake ports are often constrained in their planning policies given their status as a public agency. Their competiveness is a reflection of this status. Ports deal in public goods not private goods. This is an extremely important point. Generally speaking, the seaport unlike the motor, rail and ocean carriers have a public service mentality rather than a pure profit mentality.[3] While it is true that most of these carriers are "common carriers", providing public transportation opportunities without discrimination, carrier management does not share the burden which seaports bear in terms of being acutely accountable to the user-public. Indeed, one of the two primary marketing objectives of the port is to promote <u>economic</u> <u>development</u> in its serviceable hinterland, in addition to promoting the use of its facilities.[4] Besides this basic difference in operation and planning mentality there is one other important difference between carrier and port management. Ports must actively "solicit" carriers and persuade them to use their facilities instead of using those of a competing port. The fact that ocean carriers are extremely "mobile" in terms of their transport medium (water) creates incredible pressure on ports not only to recruite services but to retain it as well. The best strategy for a port, therefore, is to solicit the landside carriers who after constructing a high-cost medium (rail right of way or interstate highway access), are less apt to discontinue service to the port given the retaining power of sunk costs. It was this strategy which proved so fruitful for the North Atlantic ports of New York, Philadelphia, Baltimore, and Norfolk. It was also this strategy, couched in a paredo optimum economic environment, that has been a major defeat for the ports in the Lake range. (Factors militating against the Lake range will be discussed at greater length in the next section).

By definition, seaports are the nodes between linear expanses which act as load centers for the geographic consolidation of goods. In economic terms seaports, like all links in the transport chain, operate under the dictates of derived demand. Hence, the anticipated annual tonnage of a seaport is a function of the production factor in the global market. In short, a seaport is not only "captured" in terms of its landside and seaward carrier connections, but also "captured" in terms of the relative abundance of cargo. This economic environment creates a complicated but exciting challenge for seaport planning and marketing efforts.

Another basic tenet of seaport management which should be pointed out is the historical funding and financial situation which is a thorn in the side of most ports especially the Lake ports. Since World War II the Lake range, like other ranges, has been forced to pick up the tab for increased ocean carrier technology.[5] The advent of containerization forced most ports to respond more quickly than their pragmatic mentality would normally allow. The result was a few "winners" and many "losers" (all the Lake ports fall into the latter category). Because most ports were part of the municipal department infrastructure they were often seen purely as a source of revenue. Wharfage and dockage receipts went directly to the city coffers and many ports such as Providence were quite literally milked for all they were worth with no dedication to future expansion and major site and facility improvements. Most of the Lake ports are now organized in such a manner that they are protected from such revenue predation.

But while the rededication of revenues has been prudently realized it is still not nearly adequate to cover the high developmental costs that are incurred when a port, for instance, wants to invest in a containerization project. To overcome this problem many of the Lake ports, via the authority of their legislative parents, issue general obligation bonds based on the faith and credit of the citizenry pledged as security.[6] However, a repayment problem has often occurred with this subsidy practice when actual new facility use falls short of its designed capacity. The special financial position from which a seaport must launch a marketing plan is aptly described in the following statement:

> Generally, the public port is geared more towards the realization of social and economic benefits. The public port will tend to invest in facilities which are unattractive to the private operator due to the high capital and operating costs...Not only are such operations justified because they fill a void left by private enterprise, but also because of the continuing economic impacts and economic development that such operations attract to a locality.[7]

This socio-economic environment puts the seaport in a difficult position. Not only must the port provide services that would otherwise be unavailable, but it must somehow recover the investment costs if not make a profit (for reinvestment) to maintain the competitiveness of the service.

As we have seen, in more ways than one, the Lake ports are often trapped between the demands of the public sector and those of the private sector. The goal of course, is to serve both sectors well by designing a management and marketing strategy that maximizes the opportunities the port can provide to users and potential users.

III. THE GREAT LAKES PORT RANGE: A SPECIAL PROBLEMATIC ENVIRONMENT FOR PORT MARKETING

A short history of the complex environment that has emerged in the Lake range rewards us with considerable insight which can be used as a basis for future marketing planning.

Until 1959, the Lake port range was effectively isolated from the foreign cargo market. In that year the international section of the St. Lawrence Seaway was opened, thus allowing vessels of 730' LOA x 76' Beam x 26' Draught to make direct calls between Lake and foreign ports. The Seaway was completed only after considerable resistance from the railroads and the North Atlantic port range.[8] These adversaries recognized the possible detriments that could occur in the competitive environment. The controversy raged for 35 years until 1954 when the Federal government in conjunction with the Central government of Canada, contracted for the construction of the present lock system and ajoining channels. A vessel can now be raised 600 feet above sea level via

15 major locks, call at the port of Cleveland, for instance, and return to the ports of the United Kingdom or ports of Northern and Western Europe in two to four days less time than a comparable calling at a U.S. North Atlantic port.[9] One concession in the Seaway legislation was that lock tolls would be instituted to cover the initial construction investment. This is the only case in U.S. history whereby a federal navigation project was burdened with repayment.[10] Many Lake ports recognized this for what it was; a device to tame the competitiveness of the Seaway ports. However, it was not until 1982 that the $100 million debt was forgiven by Congress.[11] Tolls still exist, however, and this must be taken into consideration when designing a marketing plan for the range.

In addition to the historic toll situation, the Lake range has suffered from the Interstate Commerce Commission's "Equalization Zone" ruling in 1963 which was upheld by the United States Supreme Court. The Equalization Zone or Equalized Territory consists of all points west of a line drawn from Buffalo through Pittsburgh and around the perimeter of Ohio to Cincinnati.[12] (See Appendix II) This area is generally known as the "manufacturing belt". This same geomarket is responsible for generating 37 percent of the U.S. Gross National Product, 35 percent of its value-added goods, 80 percent of its Department of Defense contracts, and 45 percent of its agricultural products.[13] The Equalization Zone rule creates a rail rate structure which is designed to encourage the movement of these potential cargos over the long haul routes to the tidewater port ranges.[14] This ruling effectively nullified the competitiveness of the short haul routes to the Lake range. It is somewhat ironic that the director of Boston's Massport, at the time of this ruling, attempted to counter allegations of Federal discrimination against the Lake range by stating: "The Seaway ports should shoulder their own responsibility as do other ports in the U.S."[15] But for this ruling, the North Atlantic ports would not be as competitive with the Lake range and would not enjoy the current success as they beat the bushes for Midwest bulk and general cargo.[16] Furthermore, this regulatory environment seems to thwart the spirit, if not the letter, of the U.S. Constitution which states in Article I: Section 9: "No preference shall be given by any regulation of commerce or revenue to the ports of one state over those of another". The entire notion of an equalized territory was litigated upon the desire to restore the competitiveness of the "upper tier" North Atlantic ports (New York and Boston) with the "lower tier" North Atlantic ports of Philadelphia, Baltimore and Norfolk.[17] The record shows that little, if any, attention was given to the effect the ruling might have on the Lake range. The ruling was accurately interpreted by the Lake range as a clear message from Washington that the Seaway, and ergo the ports it served, was never intended to seriously compete in the direct foreign trade market. Hence, while in 1959, sixty (60) different U.S. ocean lines served the Lake range, by 1980 all but one were gone.[18] In 1982 the general counsel to the House Merchant Marine and Fisheries Committee reaffirmed Washington's message when he was quoted as saying,"The Lake port and shipping interests are only considered as an afterthought or when it is convenient to include them".[19]

It should be clear that the lego-regulatory environment which must be taken into consideration when designing a Lake port marketing plan is, at the very least, unfavorable if not actively hostile.

Moreover, recent studies indicate that the rail carriers which are critical to port development plans are less than enthusiastic about new ideas for encouraging shipper use of the Lake ports. The 1977 Marine Transportation Market Assessment Study, a publication by Marad, reported that Norfolk and Western (now Norfolk and Southern), Chessie System, and Conrail all lodged negative and uncooperative opinions concerning the implementation of rate and route modifications which were proposed to take advantage of the short haul routes to Lake ports.[20] This, of course, is not a surprise, given the legalized larger revenues that can be generated by long haul routes to the tidewater ranges. Without railroad cooperation the Lake range will continue to suffer. This brings us to a consideration of the significant railroad liability that a port marketing plan must speak to. In short, the North Pacific port range receives Midwest cargo via Burlington Northern, the South Pacific range via Sante Fe and the Union Pacific, the Gulf range via Illinois Central Gulf, the South Atlantic range via Norfolk and Southern, and the North Atlantic range via Chessie and Conrail. In effect, the natural geomarket hinterland of the Lake ports is being systematically siphoned off to every other competing range with a mere dribble of Midwest export cargo being routed through the Seaway.[21] The siphoning system is a direct effect of Federal government incentives and subsidies that occurred in the past century which were designed to develop the U.S. interior. When the Seaway was completed thus allowing lower costs to Midwest shippers, it ran smack into the face of the powerfully established rail system. The most significant shortcoming of the planning which preceded the construction of the Seaway was that little attention was given to planning a complimenting "Midwest Rail System". Designing such a system at this late date would be an incredibly difficult task. There are several small Midwest lines such as the Soo Line, Grand Trunk Western, Chicago and Northwestern, Milwaukee Road and Bessemer and Lake Erie which would be prime candidates for participation in a consolidated Midwest network. However, this theoretical network arrangement sags under the weight of reality. Indeed, Grand Trunk is a wholly owned subsidiary of Canadian National which shares rail spurs with the Soo Line of which Canadian Pacific has controlling interest.[22] Furthermore, Canadian National is in the process of acquiring the Milwaukee Road. The ultimate result of this will be the establishment of a powerful Canadian nationalized network in the Lake range which serves, almost exclusively, ...the port of Montreal. To whit, we can probably add to our siphon system the presence of a strengthened Canadian system which already moves approximately 140,000 Midwest and Mid-Atlantic general cargo containers through the Canadian North Atlantic ports of Montreal, Halifax, and St. Johns.[23] In short, the rail service problem in the Lake port range is getting worse and poses a tremendous challenge to port marketing efforts.

In addition to the problems created by the Equalization Zone and railroad consolidation and routing behavior there is also a technological environment which must be addressed by any Lake port marketing plan. The technology of containerization and the attendant growth in intermodal systems has left the Lake range with a meager market share of containerized cargo. Midwest general cargo which is shipped to overseas destinations is normally consolidated in the region into "less than container loads" (LCL), moved via the rail networks to competing tidewater ports, and then finally consolidated into "full container loads" (FCL).[24] Because of the established rail network, container technology features such as cargo staging areas, container pools, and marshalling yards were first established in areas where the railroads had their heaviest investments, namely; tidewater ports. New transport modes such as "trailer on flat car" (TOFC) and later, "container on flat car" (COFC), were developed to meet cargo market demands. A third generation of rolling stock that has been modified to meet demand is Illinois Central Gulf's innovative "Roadrailer" which can move over highways as well as rails.[25] The ports of New York, Oakland, and Seattle, cued by their loyal rail and motor networks, made the necessary investments for container cranes, marshalling equipment, computerized dispatch systems, and marginal wharves. The port investment risk was minimized by the longstanding preferential rail service. These "load centers" also minimized their risk by having natural and dredged channel depths that accommodated the first generation container vessels and their successors including the C-6 and C-7 which draw as much as 42 feet of water. Remembering the rail situation and given the lockage limitations of the Seaway (26' Draught), the containerization aspect of the technological environment crushed Lake range competitiveness for this type of cargo. Hence, given technological "constraints" the Lake ports appear to be most competitive in bulk and break-bulk cargo movements.[26] Be this as it may, at one time at least three Lake ports (Chicago, Duluth-Superior, and Toronto) had made rather large investments for container-related development.[27]

Many other Lake ports are "capable" of moving containers and have made smaller investments (See Appendix III). An important observation in terms of the desirability of locating a container facility in a port is that while one ton of bulk cargo generates approximately \$8-10 in economic benefits to the port's serviceable hinterland, one ton of general cargo will generate between \$30-50 in economic benefits.[28] Given the public service orientation of ports it is no wonder that state economic planners make every effort to encourage the development of container facilities even when technological and geographic realities seemingly militate against such a strategy.

The ecological environment also creates a special challenge to Lake port marketing plans. To be sure, the Lake range is virtually shut down for at least three months due to ice formation and the need to effectuate regular annual maintenance of the locks. Almost every study relevant to promoting the Lake range makes some mention of the need to reduce the negative impact of winter freeze-over on the Lakes. A shipper survey which appeared in one report indicated that this was the foremost problem in marketing the Lake system.[29] Indeed, shipper policies, practices and attitudes show that their is an extreme reluctance to engage carriers with only seasonal capabilities. A port marketing plan must provide a strategy that will minimize this attitude.

The final chapter on the special problematic environment which faces a Lake port marketing plan would have to include the perception that the Lake range geomarket is losing its dominant U.S. manufacturing status to the "sun-belt". While this observation is not without merit, there is enough evidence to suggest that cargo generation in the Lake range will continue to grow. Indeed, one study indicates that general cargo will increase at an annual rate of 5.2 percent in the Great Lakes hinterland, (Hinterland= 275-300 miles or "overnight trucking distance", as radiated from major Lake ports).[30] According to another report this same geomarket has a growing potential cargo yield: "The facilitation of the small firm's participation in the export process is the greatest untapped resource in the Great Lakes hinterland."[31] Small firm export participation is quickly becoming a reality given the successful passage of the Export Trading Company Act of 1982 which creates inducements for small shippers to band together in a heretofore illegal fashion.[32] The ramifications and advantages of this legislation will be examined later in this report. In addition to the growth trends reported for containerized and break-bulk cargo, there is a concommitant trend in dry bulk commodity growth particularly in AID (Agency for International Development) P.L. 480 cargos such as corn and soybeans.[33] Furthermore, while recent data indicates a softening of the export steam coal market, there continues to be a long-term (10 years) growth trend in that Lake geomarket commodity.[34]

With this total environment of opportunities and barriers in mind, a 1981 report from the Maritime Administration stated the following:

> Ports in general have traditionally depended upon trucking, railroads, consolidators and fowarders to provide the services that route cargo to the ports. It is recommended that the Great Lakes ports initiate cooperative aggressive action that will lead to more control over customer services and influence towards favorable routing decisions.[35]

Another Marad study concluded that, "the most negative attitudes towards Great Lakes shipping can be corrected through the implementation of appropriate and practical service marketing strategies".[36] Herein, we observe the germination of the range-oriented marketing approach to an underutilized and often misunderstood transportation system. The cargo market is commonly defined as the "present and potential users of carrier services".[37] It follows that the Lake range must not only concern itself with the aforementioned environmental liabilities, but also concern itself with changing the negative attitudes of potential shippers. In one Marad report which utilized a questionnaire to assess the Midwest shipper's attitude towards the Lake system, a significant negative attitude was discovered. The following excerpt makes this quite clear:

> A number of shippers declared that they knew almost nothing about the Lakes - not even the rates - but nevertheless "knew they were a route to avoid". "It is common knowledge that it is more expensive to use the Lakes". "It must be higher than coastal routings because of all the port, bridge, and lock tolls".[38]

Many of the Lake port directors felt the attitude problem was beyond the scope and resources of their individual marketing plans. This was the catalyst which prompted several large reports that assessed the need for a collective or cooperative marketing approach beginning in 1976. The marketing strategy would require the most basic of marketing goals; to create greater awareness. Once shippers and carriers are made aware of the Lake system's advantages, the marketing plan would have to embrace a strategy that would make the "real" need of shipping via the Lakes into a "felt" need which would be translated into usage. Generally speaking, the cooperative marketing plan would have to reflect the following well-accepted port marketing objectives:

Port Marketing Objectives

> 1. The primary objective of port marketing efforts is to sell the port's services to importers and exporters as well as to common carriers.
>
> 2. The port is also concerned with bringing industry to its immediate hinterland because of the captive cargo which such industry generates.[39]

IV. GREAT LAKES COOPERATIVE PORT MARKETING PLANNING

We define port marketing planning as follows:

> The process of determining the primary objectives of a port or group of ports and the adoption of courses of action and the allocation of resources necessary to achieve those objectives.[40]

First, we have assumed that the two marketing objectives of "selling port services" and "developing the port hinterland" are shared by the major Lake ports. Second, given the results of several authoritative Lake range marketing reports, it was determined that a new marketing entity was required. This arrangement was preferred to the option of integrating a cooperative market service within an existing Lake organization such as the Lake Carriers Association or the Great Lakes Commission. It was decided that a new organization could beget a better image and steer clear of conflicting interests.[41] The entity or Marketing Corporation required a marketing plan directed at inducing state agency and port authority financial sponsorship. This objective had to precede a second marketing plan which would induce shipper usage of the sponsoring ports. In short, the Marketing Corporation needed two separate marketing plans; one to stimulate sponsorship, the second to stimulate ultimate service use. Data indicates that most of the Lake ports lodged positive initial response to the cooperative idea when the question was put forth in numerous conferences and seminars. But the primary marketing plan (actual sponsorship) never really solidified. This has caused many problems. Indeed, in the two major studies which preceded the formation of the Marketing Corporation the primary marketing plans that are offered are rife with ambiguities. So poor are their content that we have offered our own primary marketing objective:

> To solicit annual financial sponsorship from port authorities and state development, commerce, and transportation agencies in the six state cargo marketing area (Minnesota, Wisconsin, Michigan, Illinois, Indiana, Ohio) for the purpose of funding the non-profit Cargo Marketing Corporation which will provide one-stop import/export services for the constituents of these bodies who will benefit from lower shipping costs when they use the Great Lakes transportation system.

According to the Marketing Corporation's current by-laws New York, Pennsylvania, and the Province of Ontario are also eligible sponsors but their actual involvement is questionable given their split Lakes-Tidewater port character. To date, the Marketing Corporation which was incorporated in the city of Chicago in July of 1982, is being sponsored by less than 30 percent of those ports which had indicated their theoretical support several years earlier.[42] Lake ports can be divided into two groups: Bulk ports and Combination ports. For the purposes of this report, a combination port can be broadly defined as a Lake port that has adequate bulk and general cargo facilities and has demonstrated attractive user efficiencies in the past ten years. A bulk port is a facility which has maximum draught, berths, and facilities for one or more bulk commodities. The following port list is based on these broad definitions and provides the reader with an idea of just who are some of the more eligible candidates for sponsoring the Corporation.

Bulk Ports	Combination Ports
Huron, Ohio	Duluth/Superior, Wisconsin-Minn.
Lorain, Ohio	Green Bay, Wisconsin
Sandusky, Ohio	Milwaukee, Wisconsin
Ashtabula, Ohio	Chicago, Illinois
Conneaut, Ohio	Burns Harbor, Indiana
Buffalo, New York	Detroit, Michigan
Rochester, New York	Toledo, Ohio
Oswego, New York	Cleveland, Ohio
Ogdensburg, New York	Erie, Pennsylvania
Hamilton, Ontario	Toronto, Ontario [43]

These ports vary, dramatically, in their annual budget outlays for marketing. One of these ports dedicated over $300,000 for marketing purposes in 1982. Another on the list dedicated less than $8000 for similar purposes.[44] The original marketing plan which was designed to solicit port sponsors called for a flat rate annual due of $10,000. The Marketing Corporation has since abandoned the flat rate and has replaced it with a more realistic "formula" rate. The noticeable absence of more than 70 percent of the ports listed above from the sponsorship roll of the Marketing Corporation has caused critical operational problems. First, as of February 1983, the Corporation had assets of approximately $140,000. Robert Sammel, who brought impressive credentials to the office of president in December of 1982, is receiving a reported $83,200 in salary and benefits.[45] Even to the financial laymen the ratio of salary to total budget seems somewhat curious. Second, given the flagrant flaws in the primary marketing plan the Corporation has weakened its initial entry impact by having to dedicate more resources than were anticipated to encourage the sponsorship of its services. Third, the primary marketing plan which has been described by some as being "rushed" and "immature", is creating considerable and damaging impact on the image of the Marketing Corporation. Finally, as if exasperated by the perceived "backing out" of many ports, cooperative marketing sympathizers have been accused of "strong-arming" nonsupportive port officials. One anonomous port director informed us that he was threatened with promises of "cooperative reprisals" if he did not financially support the Corporation.[46] Furthermore, at this time there still exists a major problem in terms of how the Corporation will deal fairly with bulk and combination ports, large and small. Questions concerning how to keep the Corporation accountable to the often conflicting demands of its sponsors remain unanswered at the time of this writing.[47] Ideally, this should have been determined prior to incorporation. Later sections of this report will return to this problem and offer some recommendations. In the future the Marketing Corporation will have to be less presumptuous about the behavior of its sponsors and potential sponsors and carry this cautious approach over to the secondary marketing plan which is targeted to the ultimate service users.

The secondary marketing plan is targeted to ultimate service users such as ocean carriers, landside carriers, cargo consolidating and warehousing interests, shippers and consignees, and the public at large. The plan must be designed in such a manner that each of these sectors will perceive the services of the Marketing Corporation as being professional and unique. The Corporation must provide the catalyst for the perception that the Midwest offers a competitive transport network that culminates with the Great Lakes ports. The goal of the Corporation in terms of these ultimate users is that they will create a habit of making one phone call to the Corporation and receive what will approach a "one-stop" import/export service package. The secondary marketing plan that is currently being employed has a significant foundation in studies conducted by the consulting firms of PRC Harris Inc. from 1978-1981, and Simat, Helliesen & Eichner, Inc. (SHE) in 1981. The three volume Harris study, entitled, "Great Lakes Cooperative Port Planning Study" provides cargo market share data, port facility utilization data, geomarket productivity, route and rate data, and other regional information germaine to measuring the assets and liabilities of the Seaway supported port system. The SH&E three volume report, entitled, "The Great Lakes/St. Lawrence Seaway System: A Cooperative Marketing Approach", draws data from the Harris study (among other sources) and offers a general design for the Corporation's secondary marketing plan. This study was further scrutinized by an ad hoc corporate board of directors in October, 1982 and January, 1983.[48] In the next section of this report we shall examine the content of the secondary marketing plan, the marketing strategy which will be used to mobilize the plan, and the market segments that will be receiving this strategy. The next section will also include recommendations for the marketing mix.

V. GREAT LAKES COOPERATIVE PORT MARKETING: THE SECONDARY MARKETING PLAN, SEGMENTATION AND STRATEGY

At this time we have introduced the marketing environment, the special problems of the Midwest cargo market and the fruition of a non-profit corporation that purports to increase Lake port cargo market shares by providing cooperative port marketing services. In this part of the report, we will examine the strategy by which the two "Port Marketing Objectives" are hoped to be achieved. The Marketing Corporation's final secondary marketing plan, (which was not available at the time of this printing) is based on the two major consultant studies previously mentioned. The corporation's plan will no doubt reflect the conclusions and recommendations of those studies. The secondary marketing plan is composed of both strategic and tactical planning. The marketing strategy which is developed in the marketing plan is generally defined as follows:

> The overall company program for selecting a particular marketing segment and then satisfying the consumer in that segment through careful use of the elements of the marketing mix.[49]

The SH&E study segments the Marketing Corporation's serviceable market into the following four categories: (These are detailed in Appendix IV).

Market Segments

1. Ocean Carriers
2. Shippers/Consignees
3. Lanside Transportation and Ancillary Services
4. Public Sector

We will examine each market segment in turn and provide some recommendations with general reference to the four areas of the marketing mix; service managment, distribution, promotion, and pricing. Marketing "tactics" will be understood to be those mechanisms by which the marketing strategy is implemented.

A. Ocean Carriers as a Marketing Segment

The objective of the Marketing Corporation with respect to this market segment is stated below:

> The corporation must direct efforts toward preservation and enhancement of the various carrier services for serving both domestic and international cargos.[50]

Ocean carriers have their own marketing strategy. Therefore, the corporation has the challenging function of integrating its strategy so as to compliment that of the ocean carrier. All transport marketing efforts focus on selling a service. This service consists of speed, dependability, price, and flexibility.[51] A carrier normally tries to achieve these service factors by maximizing the following operational objectives:

Ocean Carrier Operational Objectives

1. Reduce Turnaround (Reduce time in port)
2. Increase Cargo Handling Productivity
3. Reduce Cost of Handling
4. Increase Security
5. Increase Throughput (Decrease time to process cargo units)[52]

The Marketing Corporation could enhance virtually all of the service factors and the attendant operational objectives by proving cargo marketing services to the carrier. Indeed, U.S. ocean carrier lines have often neglected the basic tools of marketing.[53] In the recent past, most carriers have relied on the "res ipsa locator" principle or, "the thing speaks for itself" as their basic marketing tenet. Field representation has been poor and has consisted of salesmen who rely on frequent cocktail parties and "back-slapping" to win shipping accounts.[54] The ultimate result of this practice was reflected in a shipper survey conducted by the Maritime Administration in 1977 which reported that shippers view carrier field representatives as being "complacent or arrogant".[55] While several U.S. carriers have since embraced a more advanced marketing approach, there may well remain the need for a professional "intermediary" between the carrier and the shipper to overcome the ingrained conflicts that exist between the two.

This market segment is envisioned to subscribe to the Marketing Corporation's cargo marketing services based on the "intermediary" need and the need to obtain more specific Midwest cargo information than would otherwise be available using in-house capabilities. The Corporation's operational tactic to encourage this subscription is to design a unique research and information system based on raw data from the ICC, FMC, Department of Commerce and Department of Agriculture and augmented by specific data from the relevant Midwest state agencies and Midwest shippers. (See Appendix V for raw data sources). In the "medium term" (5 year) the corporation hopes to achieve proficiency in this area and by "monopolizing" information to its subscribers, present and promote a need for others to join. This function is somewhat similar to the supplier/buyer computerized clearinghouse function that was used by the New England Manufacturers Exchange (NEMEX) and the Industrial Midwest Manufacturers Exchange (IMMEX). Both of these systems have failed, however, due to a lack of face-to-face communication which businessmen believe is essential.[56] Hence, the Marketing Corporation will adapt its "clearinghouse" strategy to include not only information dissemination, but also to include frequent opportunities and support functions to encourage shipper/carrier personal interchange. Here, conventions and other timely gatherings are envisioned to be useful. The SH&E marketing study generally refers to the "clearinghouse" role as the Cargo/Vessel Inventory. The nature of this service is that of a brokerage exchange.[57]

RECOMMENDATIONS FOR THE MARKETING MIX

The overriding challenge presented by the ocean carrier as a market segment is that U.S. lines have been virtually absent from Lake service since 1980. There are two diametrically opposed schools of thought that offer a remedy to this situation. One school insists that cargo must be committed to the Lake ports before a line will re-enter the range. The other school insists that a line must be committed first, and cargos will automatically gravitate to that service.[58] There is strong historic evidence for the former remedy however, as several lines withdrew their service from the range shortly after entry due to insufficient cargo offerings.[59] The major U.S. lines are now particularly "gun-shy" with respect to running a break-bulk liner operation from Lake port origins. Container service lines are even more skeptical given the lack of a proven container handling capability.[60] One marketing plan tactic, which has not been formally developed by the Corporation, is to: 1) Develop data on the overseas destinations of Great Lakes hinterland general and bulk cargos, 2) Segment these cargos into their specific routes, and, 3) Identify a U.S. or foreign line which serves the complimenting routes. This would be followed by collecting more specialized data on the respective foreign destinations and then developing data on their complimenting export profile. From this data geomarket trading pairs could be identified and the Corporation could make valuable conclusions as the the backhaul cargo potential for Lake range importers. This procedure, or one similar, is imperative to serving the ocean carrier market segment. The Corporation must meet the carrier's need to know what load factors he could expect and balanced traffic he could achieve. The possession of such information would enable the Marketing Corporation to provide targeted lines with Lake range tonnage potentials and pro forma cargo inventories for each route.[61] Because tonnage potentials are always in flux, and given the Corporation's day-to-day market research capabilities, the promotion of and retaining power for carrier subscription to the service is maximized.

This marketing tactic must be preceded by a Corporate strategy which would encourage Midwest shippers to alternatively route some of their cargo to Lake ports. This strategy would be motivated by an entirely different set of data. This data is specially developed for the shippers/consignees who make up the second market segment.

B. Shippers/Consignees as a Marketing Segment

The "Great Lakes Traffic and Competition Study" of 1979 provides excellent insight into the needs of Midwest shippers and consignees. This group was asked to rank the factors which they considered to be most important when they selected a cargo route. The most important factors were prioritized as follows:

Shipper/Consignee Routing Factors

1. Total Door-To-Door Costs
2. Total Transit Time
3. Reliability and Consistency [62]

By using these factors as "market segment objectives" one can readily provide a basic outline for the Marketing Corporation's secondary marketing plan. Because the "Total door-to-door costs" variable is the primary factor in selecting a route for international cargo it is the Corporation's most obvious index for measuring its own "need satisfying" performance in this segment. Research indicates that the "time" variable will be traded off "for lower costs or at least dependable ETA's".[63] The Corporation will want to take heed of this trade-off behavior. The data base for serving this segment would consist of providing up-to-date rate and tariff schedules as published by the ICC and FMC. In this case, the Marketing Corporation would be duplicating one function of the international freight fowarder and custom house broker thus eliminating a small but critical step in the complex export process. This data would not have the "monopolized" character of the pro forma cargo inventories, but is nonetheless vital to the Corporation's activities. One report pointed out that, "the traffic departments of large shippers assist the marketing departments in establishing prices for overseas exports. Often they can loose an order on transportation alone."[64] By providing shippers with this data (on request) the Corporation gets its "foot in the door" and can then proceed with emphasizing the assets of the Lake transportation network. This data could be easily programmed into a computer which could utilize rate-route computer software available on the market.[65] As the Marketing Corporation grows, consultants have suggested the need to establish the following information services:

Cargo Marketing Services

1. **CARDIS** (Cargo Data Interchange System) This is an automated data system for the preparation of export documents and the electronic transmission of that data. The provision of a service which eases the paperwork burden will encourage the smaller manufacturer to sell abroad and will thereby increase the amount of export cargos available in the Lake range. (Freight forwarders are expected to use the service within 5 years. The goal of the Corporation should be to develop it sooner and establish a loyal clientele.)

2. **Telenet Information Service** - This is a logical outgrowth of inbound WATS service, data exchange, and membership information. Telenet is the automation of some of these services through the use of recorded messages available to the shipper on a subscription basis.

3. **Consulting Service** - The consulting service would be staffed by traffic management professionals who can address problems in the areas of packaging, routing, rating, tariffs, cargo landing and so forth. Similarly, market-related consulting efforts can be established.[66]

Given the present financial position of the Corporation these systems cannot be brought on-line for three to five years. In the meantime, there is considerable ambiguity as to how the Corporation will reach this operational objective. To approach the short-term problem involves identifying the shippers and consignees themselves and then developing an economically feasible tactical plan to maximize a contact base and resultant cargos. The International Trade Division within the Department of Commerce provides such data at a nominal cost. In addition to providing basic trade information such as the names and phone numbers of relevant shipping personnel, the data also includes the general overseas area in which the shipper is most active and his rough tonnage and shipping requirements.[67] More detailed shipping information is, of course, more difficult to obtain given the need of corporations to conceal their competitive business strategies. The target personnel in this market segment are the corporate traffic managers. Contact with other corporate officials is thought to be rather fruitless.[68] His important role in the export process is summarized below.

> It is well understood that the shipper's traffic manager plays a major role in determining his company's sales abroad by making sure the cost of transportation does not price the commodity above that of his competitors. In performing this role, the traffic manager basically attempts to minimize the cost of transport and time in transit while holding equal (or improving) the quality of transport service.[69]

As previously mentioned, the shipper (i.e. the traffic manager) embraces neutral if not negative assumptions about Lake range export capabilities. He is not anxious to jeopardize his company's competitiveness by dumping his cargo on a dock that hasn't seen regular liner service for several years. The SH&E consultant group concluded in the 1979 Great Lakes traffic study that an innovative mechanism could be used to overcome this initial resistance. The concept, called the "Guaranteed Cargo Program" would be coordinated by the Marketing Corporation and would involve the major Midwest shippers who, "would guarantee specific tonnage to attract more general cargo shippers."[70] After discussing this concept during an interview with the traffic manager of the Ford Motor Corporation, it was immediately apparent that while he had never heard of the idea he was sure that Ford and other large Midwest shippers could engage in such a program if, "liner service was competitively priced and on time."[71] (A recommendation with respect to this program appears later in this section.)

As aforementioned, all of the Great Lakes research on shipper and consignee behavior stresses the importance of door-to-door costs as the primary factor in route selection. (For a general review of the cost competitiveness of the Lake port range, see Appendix VI.) However, a survey published in January of 1978 by "Distribution Worldwide" which includes responses from more than 2000 traffic and distribution managers, found that the great majority of shippers rely primarily on "service", "convenience", and "habit" when they select a shipping route. This survey reports that, "Cost IS NOT a major consideration in port selection" (emphasis added).[72] A spokesman from the port of Cleveland agreed with this finding and explained it further by stating that just as there is "brand loyalty" in the ultimate consumer market, there exists substantial "system loyalty" in the transportation consumer market which is often economically irrational.[73] There is a bittersweet quality about this assertion when it is applied to the objective of the Marketing Corporation. Indeed, while it will be difficult to break existing loyalties, the Corporation may be able to look forward to a similar "client retaining power" as it develops its services and builds up new accounts. If nothing else, the "Distribution Worldwide" survey indicates the tremendous need for an upgraded and powerful marketing strategy for the lake range and to be sure, a tactical plan that embraces the objective of re-educating the shipping public.

RECOMMENDATIONS FOR THE MARKETING MIX

As previously mentioned, it was recommended that the Corporation provide pro forma cargo inventory "route and rate lists" to ocean carriers. These lists would contain specific cargo availability data for the Lake range and complimenting data for the availability of back-loads in foreign ranges. These lists would provide an inducement for the carriers to contact the Marketing Corporation for more information concerning the specific origins of that potential cargo. Now with its "foot in the door" the Corporation would employ data generated by the Guaranteed Cargo Program as the basis for this information which would then be relayed to the carrier on a subscription or user-fee schedule. In short, the Marketing Corporation would bring ocean carriers and international shippers together by offering the best available "inside information" and using this as leverage to obtain a commitment from the carriers to call at the ports in the Lake range. The Guaranteed Cargo Program calls for a simultaneous commitment from major Midwest shippers to direct a percentage of their total cargo inventory via the Lake ports. In effect, the Guaranteed Cargo Program would be the short-term marketing tactic which would lead to the development of the more advanced services of CARDIS, Telenet, and consulting services. The Marketing Corporation would employ certain negotiating principles as it links guaranteed cargo commitments with the ocean carriers who have been solicited for a similar commitment. The success of this tactic will be determined by the relative strength of the "gravity" principle, the main tenet of which is that "cargo will attract cargo". Small and medium shippers should be approached with a tentative list of major cargo offerings from the large shippers as an incentive to alternatively route some portion of their smaller cargos to Lake ports. Once a commitment is obtained by these smaller shippers (underwritten by the large shipper "security"), the basic characteristics of their cargo would be plugged into the appropriate pro forma cargo route inventory. A hypothetical sample (utilizing real rates) of a pro forma route inventory is included on the following page.

PRO FORMA CARGO-ROUTE INVENTORY

Port of Milwaukee to Rio De Janiero, Brazil

(BREAK-BULK CARGO)

Route Options:	**Rate** (Per Long Ton)[74]
Port of Milwaukee (Direct Water)	$63.07
Rail/Water Via New Orleans	77.71
Motor/Water Via New Orleans	96.81

MONTH OF JULY, 1983

Export Shippers		**Backhaul Shippers** (To Midwest Hinterland)	
ABC Corp.	5000 LT Guaranteed	Brazil Co.	2000 LT
XYZ Corp.	6500 LT Guaranteed	Brazil Co.	2000 LT
Small Co.	1500 LT	Brazil Co.	1500 LT
Small Co.	1200 LT	Brazil Co.	1500 LT
Small Co.	500 LT	Brazil Co.	1000 LT
Small Co.	50 LT	Brazil Co.	500 LT
Small Co.	10 LT	Brazil Co.	50 LT
Small Co.	5 LT	Brazil Co.	50 LT
Small Co.	1 LT	Brazil Co.	10 LT
Small Co.	1 LT		8560
	14,767		
LOAD FACTOR = 70%		LOAD FACTOR = 45%	

The Brazilian cargo data is derived from the foreign range cargo research as explained earlier. The Marketing Corporation, after negotiating a preliminary export commitment would aid the ocean carrier's Brazilian agents in negotiating an import commitment from the targeted Brazilian exporters.

The operational objective pursuant to this service is to create cargo inventories for all the major routes which Midwest companies are using. Once contacts are developed and a negotiated route is confirmed by all concerned, the Marketing Corporation should abandon its preliminary fee system and encourage users to subscribe to the service on a continuing basis.

C. Landside Transportation and Ancillary Services

The marketing objectives of all transportation carriers must reflect the important service variable. This can be stated as follows:

> Although the cost of transportation to industrial shippers is economically significant, service normally constitutes a carrier's most important sales and marketing variable.[75]

Shippers and consignees are primarily concerned with transportation costs but as pointed out in the "Distribution Worldwide" study this requirement is closely followed by the need for reliable and dependable service. In his authoritative text, Management of Transportation Carriers, Grant Davis expands on the service factor as a marketing objective.

> When marketing transportation services, transportation should be demonstrated as the binding force holding warehousing, procurement, inventory, customer service, and scheduling together in one system. Carriers should see their transport service as the basis of its being an integrated part of their customer channels.[76]

This mentality is not unlike that which was claimed by the oil companies in the 1970's when they adopted the new and integrated image as being "energy" corporations. Likewise, the container revolution was the catalyst behind the intermodal concept which prompted motor and rail carriers to abandon the "motor" and "rail" image in exchange for an integrated "transportation network" image. The Marketing Corporation must design a marketing strategy to accentuate this new image and the attendant services provided within this market segment. Moreover, transportation carriers and terminal operators must be assured that, "the promotion and continued use and development of the (Lake range) system will be to their economic advantage".[77]

In an earlier section of this report, we emphasized the fact that the Lake range is not supported by a "Midwest Rail System". Hence, the rail industry, given its "anti-Midwest network" scheme will be a particular challenge to the Marketing Corporation. While the basic ICC creed concerning the regulation of rail RATES embraces a goal to "promote the foreign trade of the United States, and to diffuse the import and export traffic over a number of ports", the creed does not speak well to promoting actual SERVICE.[78] Indeed, several rail carriers have published "alternative rates and schedules for unit-train service at some Lake ports but these rates are reserved for bulk cargos, namely coal. Services for general cargo, on the other hand, are largely undeveloped. The Harris consultant study addressed this problem and concluded that necessary additions to the Lake range transport network would have to include "strategically located container consolidation facilities, inland container pools, and coordinated routing control".[79] The same study went so far as to suggest that the lack of a "Midwest Rail System" required port controlled pick-up and delivery services. However, given the heavy debt service and other costs that burden the Lake ports, this operational objective is probably cost prohibitive.

RECOMMENDATIONS FOR THE MARKETING MIX

The Marketing Corporation should adopt a marketing strategy that in the short-term will force Great Lakes shippers and carriers to confront the lost opportunities which accrue to them by not shipping via the Lakes. For the long-term the Corporation should generate data for the Great Lakes Commission, an interstate compact agency, and allow that body to fight the lobbying and legal battle to secure better services from the rail carriers. The short-term tactic would include developing a relationship with the Chicago and Northwestern Railroad and the Soo Line who have registered cooperative opinions concerning the promotion of Lake port facilities.[80] Furthermore, the Corporation should accurately define its Lake range transportation geomarket so as to better target its resources. Some studies suggest that this should be a 19-state area. Most port directors, however, say that this is ridiculous. We recommend a "power perimeter" which would consist of the high volume cargo states of Ohio, Michigan and Illinois combined with the cargo-productive states of Indiana, Wisconsin and Minnesota. These six "high penetration" states account for 22 percent of the nation's population, 22 percent of the personal income, 29 percent of the value added by manufacturing, 22 percent of the farm income, and 10 percent of the mineral production.[81] Small rail lines should be considered as a separate market segment and should be encouraged to tap into the otherwise dormant general cargo market. The Marketing Corporation could provide data on how they might better secure "linkages" or "shared rails" based on the future shipping requirements as generated by the pro forma cargo lists. (Right of way sharing is not unusual as illustrated by numerous agreements made between Conrail and Chessie). The Corporation should approach the regional motor carriers in the same manner and illustrate how their subscription to the marketing service could enhance their fleet productivity, help coordinate back hauls from ports, and eliminate much of the guess-work that is associated with un-networked services. (Our port marketing mail questionnaire indicated among other things, that port operators had very little knowledge of (or interest) in the many truck lines which served their ports.) This must be corrected. Indeed, given the cargo-productive overnight trucking radius that most of the Lake ports enjoy, there is no reason why motor services could not offset the major cargo drain created by the rail siphoning system. One port did indicate that it had engaged in a joint marketing effort with motor carriers. This should be encouraged. Better utilization of the motor carrier could result in lower rates and create income which could be re-invested in capital and service improvements in the network, namely, "strategically located container consolidation facilities", "inland container pools", and, "coordinated routing control".

One important feature that should be included in a marketing package for the landside transportation market segment is the role of Foreign Trade Zones (FTZ's) which are located in or near several Lake ports including Cleveland and Toledo. In the United States, FTZ's have been used more for storage purposes rather than their intended manufacturing purpose. Before 1980, the Federal government imposed a tariff on the "value-added" change in a product that was manufactured in a United States FTZ. In 1980, the tariff rule was eliminated and other favorable changes were made to promote these facilities.[82] The Philadelphia Free Zone is an example of the new U.S. FTZ and is being marketed successfully to export manufacturers who will no doubt use the port of Philadelphia to ship their products. Once again, Lake range motor and rail carriers would benefit from providing service to Lake range FTZ's and should be encouraged to do so.

With respect to "timing", the landside and ancillary service market segment should be engaged by the Corporation only after several pro forma cargo lists have been successfully developed. This "proof of use" data could then be used to encourage the motor and rail carriers to subscribe to regional marketing services. Those who do subscribe would receive indirect preferential treatment as their services would be automatically suggested to the shipper/consignee market segment. In the long-term, subscribing motor and rail carriers would benefit by being "plugged in" to the rate and route computer software which would prioritize their services over those of "listed but not promoted" carriers. Such networking, or the development of integrated transportation services would positively contribute to the Lake range's competitiveness in the cargo market.

D. The Public Sector as a Marketing Segment

This marketing segment can be divided into two subsegments: 1) the public sector at large, and 2) the public sector agencies. The marketing objective for the public at large within the six state geomarket is to make this population "aware of the potential benefits that can accrue to cities, counties, and states from the (Great Lakes) transportation system, particularly in terms of economic development."[83] The goal is to enhance awareness and, ergo voting pressure, when port and transport development hinges on an informed voting public. The Corporation has already benefited from exhaustive coverage in the press, but this is basically due to the novelty of the cooperative market idea. Once this novelty wears off, it will be to the Corporation's advantage to direct some of its resources towards public relations. To a large degree this function could be passed on to interested public agencies which, using their established channels, might better saturate the public ear at a fraction of the cost.

The marketing objective with respect to the second subsegment, the public agencies themselves, is of major significance. Unfortunately, past studies have confused this subsegment with the public at large. This has resulted in a poorly articulated and vague marketing tactic. Indeed, consultants recommended that the Corporation "meet with representatives of various state, regional and local agencies", which have jurisdiction relevant to the interests of the Corporation.[84] The consultants left it at that. An interview with the director of Ohio's International Trade Division (an influential and "relevant" agency) revealed that the Division had no knowledge of the Corporation, its planning, nor it's goals.[85] This fact remains even when this agency, and many county and city agencies are being counted on for a large part of the Corporation's initial funding.[86]

RECOMMENDATIONS FOR THE MARKETING MIX

Some state agencies, to be sure, are supporting the Corporation; most notable of which is the very active Illinois Department of Commerce and Community Affairs, Office of International Trade. A data-sharing relationship would be valuable to the Corporation and the agencies. It was through similar state agency cooperation that successful "Integrated Industrial Centers" (similar to Rotterdam) were developed for the ports of Oakland, California and Portland, Oregon.[87] Moreover, Federal government involvement in marketing the range has been a regional goal for some time.[88] The Great Lakes Regional Marad office in Cleveland, Ohio tries to meet that goal as it provides excellent raw cargo data for the Marketing Corporation. Furthermore, because all government agencies are concerned with self-preservation and increasing their constituencies, the Corporation could be an excellent resource for them as it would provide refined trade data for the agencies to distribute among their constituents. To effectuate this interchange the Marketing Corporation must impress these agencies with the assertion that the Great Lakes ports have a critical role in the future economic development of the region. The Harris study makes a good case for this claim.

> By realizing a potential increase in cargos handled by a feasible 40 percent, importers and exporters of the region could cut their related transportation costs by over $57 million per year by 1985. To achieve this however, a new level of cooperation would have to be attained.[89]

All of the state agencies have an international field network already established in the form of state consulate and embassy services. Rather than establishing its own field network, the Corporation could utilize these valuable state services which include:

State Consulate Services

1. State Sponsored International Trade Missions
2. Translating Services
3. Marketing Data
4. Trade-Lead Data and Buyer/Supplier Matching Services
5. Regular Communication with Foreign Economic Organizations[90]

The major foreign economic organizations include the EEC, COMICON, the European Foreign Trade Association, and the Latin American Free Trade Association. Among other things, these trading blocks provide market data for their members which can also be provided to the Marketing Corporation via the foreign consulate service.[91] It would therefore be in the Corporation's interest to seal its relationship with the six respective state government agencies involved in development, transportation, agriculture, and commerce. Furthermore, with the recent passage of the Export Trading Company Act and given the present sluggish U.S. export situation, there is every indication that the state governments will become evermore aggressive and professional in the area of international trade.[92] The export trading company legislation breaks down historic antitrust and financial barriers in an effort to stimulate U.S. exports. (The ETC legislation is summarized in Appendix VII). Small and medium-sized businesses, which abound in the six state geomarket, are expected to receive the greatest benefits from the new law. The Corporation should make every effort to identify these potential shippers. The Federal Department of Commerce is making this job easier as they have just completed a series of seminars across the nation in which thousands of participants filed company export information with a central data system. For a nominal fee, the Marketing Corporation could receive this data and design a cargo marketing plan that would meet their specific needs. A simple marketing package explaining the rate and route advantages in the range would serve to properly "break in" these new entrants to the transportation market. Moreover, the legislation allows port authorities and other quasi-public institutions to become ETC's. (The New York/New Jersey Port Authority has just announced plans to do so). Because "shipping, warehousing, and distribution" are part of the services which an ETC can provide, it is imperative that the Corporation investigate its own ability to take on such an identity. (As part of this study, the researcher attended a day-long ETC seminar held by the Department of Commerce in Cleveland, Ohio. There was no official representation of the Marketing Corporation at this seminar or any similar to it.) The following section contains a review of the port marketing mail questionnaire. It was used primarily as a mechanism to verify and upgrade the literature search and personal interviews. Much of the data was incorporated into the body of this report. True to the spirit of all well devised surveys, the questionnaire raised more questions than it answered.

VI. RESULTS OF THE GREAT LAKES PORT MARKETING SURVEY

A. Building the Questionnaire

The questionnaire and the cover letter are reproduced in their entirety in Appendix VIII. The questionnaire was administered during the months of November and December 1982. This corresponded to the end of the shipping season so respondents were capable of adequately assessing their entire 1982 performance. There is undoubtedly some bias reflected in the responses as the 1982 season went on record for most ports as the worst since the Great Depression.[93] Be that as it may, there was noticeable optimism in most every response.

The usual random selection process for the sampling frame was not employed. There are only twenty or so Great Lakes ports involved in constant foreign trade, (Canadian trade excluded). Of these, nine ports were selected. The sample reflects a major bias in favor of the combination ports and for that reason is very weak in its ability to explain the behavior and performance of the bulk ports. The port of Chicago did not respond and attempts to follow up were unsuccessful. The port of Cleveland did not respond, but we did follow up using a phone interview. The port of Green Bay misunderstood the intent of the questionnaire, but this was rectified with a valuable phone interview. (Green Bay, unlike most Lake ports, enjoyed a successful and even record-breaking season. Traditional "salesmenship" was credited as the key to its success.) Buffalo, Detroit, Toledo, Burns Harbor, Milwaukee and Superior returned full responses. Respondents were promised that all information would be held in confidence and that results, if released, would be so in aggregate form only. The questionnaire included open-ended as well as closed questions and employed contingency questions where appropriate. Major information categories included: 1) Personnel, 2) Marketing Channels, 3) Market Targets, 4) Carrier Service, and, 5) Port perspectives concerning the role of the Marketing Corporation.

B. Data Analysis

The data indicates that some of these ports have devoted little manpower and financial resources to their marketing efforts while others have dedicated considerable resources and possess a highly structured marketing plan. Annual marketing budgets ranged from less than $10,000 to more than $300,000 with a median of $112,000. There is a statistically significant direct relationship between the variables "Annual Marketing Budget" and "Annual General Cargo Tonnage". Full-time marketing personnel ranged from one to four persons, but the responses indicate that the marketing function is generally a one-man show. Two ports reported that they suffer from legal and/or social restraints in their marketing efforts including a negative public attitude towards tax-supported luncheons for port customers and the inability to serve alcohol at promotional events.

With respect to "Marketing Channels", only one port had its own foreign field office. (Compare this finding with Appendix IX which summarizes the field representation of competing port ranges). Most of the ports do engage the promotional services of trade clubs, chambers of commerce and similar organizations at little or no cost.

With respect to "Market Targets" these combination ports prioritized their marketing efforts towards cargos in the following rank order:

Cargo Market Targets

A. Bulk
B. Break-Bulk
C. Container
D. Project/Government Impelled Cargo

Several striking exceptions do exist however. Indeed, one port indicated that break-bulk cargo is its number one priority. Another cited container cargo as its primary target cargo market. Still another reported that it pursues government impelled (AID) cargos as its first priority. All but one of the ports have undergone a marketing audit within the last ten years; the definition of which was included in the questionnaire. (It is assumed that the ports are pursuing a marketing strategy that is based on these audits.) When asked what proportion of their marketing outlay and contact time was dedicated to different port users, the respondents provided the following median rank order:

Port Users as Target Markets

A. Ocean Carriers
B. Rail Carriers
C. Motor Carriers
D. Freight Forwarders
E. Individual Shippers
F. Non Vessel Operating Common Carriers

Once again, significant exceptions did occur. One port added "Individual Shippers" as a category and ranked it the highest among the user targets. Another, ranked freight forwarders as the most important user target. With respect to "Total Annual Tonnage", two ports reported handling less than 10,000 tons of general cargo. All others handled over 200,000 tons for the 1981 season.

Under the "Carrier Service" category, one port reported that it had virtually no rail service and indicated that motor carriers better served its facilities. Other ports listed Conrail, Chessie, Burlington & Northern, and Chicago and Northwestern as providing their major rail services. Most reported that a favorable relationship existed between the port and the rail carrier operators. (After careful consideration of the questionnaire, the question concerning this relationship was thought to be weak and vague, having little merit.) About half of the ports had engaged in some kind of "joint marketing" effort with these carriers. The questionnaire was flawed in that it did not record the exact nature of this "joint" activity. Only one port felt that it could identify its major motor carrier service. All others reported that "numerous", "many" and "various" motor carriers served the port and no single one was felt to be exceptionally significant. However, 50 percent of the ports stated that they did engage in some type of "joint marketing" with one or more of these carriers. Once again, the exact nature of this effort was not recorded. Only one of these ports was host to a Non Vessel Operating Common Carrier (NVOCC) service. The NVOCC provides what approaches a "one stop shop" export/import service function for its shipping clients by contracting with all types of carriers for network services. The NVOCC often owns or leases containers, flat cars and other intermodal devices. He also provides the export documentation service which enhances his "one stop" advantage over carriers and conventional forwarders and brokers. (The NVOCC is a rather recent export service innovation but its market share may be challenged by the up and coming ETC innovation.) Ports are capable of becoming NVOCC's as well as ETC's and in so doing, integrate the port facilities with the larger transportation network.

The final category in the questionnaire was concerned with measuring the port's view of the "cooperative marketing concept" and its attitude towards the Marketing Corporation. Only three of the ports had dedicated funds to the Corporation in 1982. Another stated that it would do so in 1983. Generally speaking, only 30 percent of the combination ports and even fewer of the bulk ports have indicated a willingness to financially support the regional marketing service. Those who did subscribe did so with the expectation that the Marketing Corporation would increase liner service and would provide low-cost cargo and shipper data. Ports not subscribing to the service were either critical of commiting funds to a corporation that "lacks definite goals" or were convinced that the Corporation had evolved from erroneous cargo market assumptions. Some of these same ports expressed "good wishes" for the Corporation, but do not expect it to last more than several years. With respect to their traditional marketing efforts, an equal number of ports indicated that they were "optimistic" or "cautious" concerning the Lake range ability to increase its general cargo market share. None were pessimistic.

VII. GREAT LAKES CARGO MARKETING: CONCLUDING REMARKS

A. Elements of the Marketing Mix

Due to the general breadth of this report, it was not possible to detail the exact nature of the marketing mix for each service market segment. The mix, made up of service, promotion, distribution (networking), and pricing is basically identified within each section entitled, "Recommendations for the Marketing Mix". The mix is predicated in each case with the general marketing objective of constructing a service "network" and promoting the Great Lakes region as a "Total Transportation System". Undoubtedly, the promotion and network elements are germaine to the Corporation's marketing plan. The physical distribution and pricing elements are almost exclusively derived from the users and sponsors of the Corporation and are largely determined by their behavior. An excellent reference for the pricing of common carrier services is entitled, Criteria for Transport Pricing. It is included in the bibliographic appendix. An excellent reference for evaluating port pricing dynamics is available from the Department of Commerce and is entitled, Current Trends in Port Pricing . This study includes a Great Lakes port section and illustrates the relative success of the ports in spite of a pricing strategy that is getting outmoded. (More port pricing cooperation under Title 15 agreements is offered as a partial remedy). The report also reviews the port of Toledo's "loss-leader" or developmental rate which had been very successful.[94]

B. The Corporation's Primary Marketing Plan

The rationale behind a cooperative marketing venture is sound. According to Current Trends in Port Pricing , every port in the United States suffers to some degree from an inadequate marketing strategy. That report states in part:

> A port's knowledge of its competition may be less than perfect. On several occasions when asked about the (port's) competition it was specified as "those fellows over there". When interviewed, "those fellows", sometimes pointed in an entirely different direction to their competition.[95]

The Corporation must turn the real need for better marketing strategy into a felt need. It must then convince Great Lakes ports that no single port can meet this felt need without the able direction of the Marketing Corporation. The pilot report which turned out to be the master blueprint for the Marketing Corporation contained marketing audits of each Lake port and made the following conclusions:

Problems With Traditional Port Marketing

1. The marketing research capabilities of most individual ports are simply inadequate for the development of a coherent marketing strategy.

2. What efforts had been made by the Great Lakes ports to encourage ocean carrier service were regarded as inadequate, infrequent, and unconvincing.[96]

In addition, most Lake port trade development officers have a limited perspective on the role of marketing and often inflate the promotion and advertising element to the exclusion of networking the elements of service and physical distribution. Evidence of this tendency is readily observed in several interviews with Lake port directors as published in a heavily circulated import/export trade journal. Advertising, direct mail, and other modes of impersonal selling were repeatedly offered as the backbone of their marketing plans.[97] Advertising "hooks" such as "The Connection" and "The Gateway" are extremely overused and verge on being trite. While most all of the Lake port directors have excellent product knowledge, the role of advanced marketing to mobilize port assets remains largely untapped. "Pockets" of exceptions do, of course, exist. The port of Detroit selectively targets a realistic shipping population and then provides rate and route comparisons which speaks to their specific needs. The port of Green Bay excells in the craft of retaining shipper accounts via loyalty.

Another problematic feature of traditional Lake port marketing is its failure, or inability to effectively use the established state-supported foreign field office network. One of the most authoritative texts on seaport management claims that, "field offices abroad are very important in terms of port marketing development".[98] Yet, only one major port has a field representative and that office is limited to serving the West European foreland. The Marketing Corporation must design its primary marketing plan so as to better enhance its leverage in securring the services of a foreign field network and other information services, and then present this package to potential sponsors in the range. The Corporation must convince the ports that this "one-stop" package is more concise, more usable, and more valuable than any other competing package including the traditional autonomous "package". Similar leverage must be achieved with respect to the ultimate users of the transportation network.

C. The Corporation's Secondary Marketing Plan

This plan is designed to meet the import/export service needs of the users and potential users of the Lakes transportation network. Market segments have been identified as the small rail carrier, ETC's, motor carriers, large shippers involved in the Guaranteed Cargo Program, small and medium-sized shippers, state development agencies, and selected ocean carriers. Without exception, all of these segments and subsegments desire to operate within a predictable and certain environment. The Marketing Corporation must package its service offerings in such a way that momentum will be created toward this ideal condition. Several studies have suggested that ports should employ their own "pick-up and delivery system". The SH&E study suggests that the Marketing Corporation should "charter in tonnage to initiate a liner service". Such capital-intensive and high-risk proposals are simply not needed if the Corporation creates a marketing strategy that is aimed at augmenting and solidifying the network concept and not...usurping it. In short, capital investments and related operational management costs must be properly handed-off to the network's participants rather than the Corporation itself. Drew Lewis, past Secretary of Transportation spoke well of this strategy at a conference in 1982. He said that one administrative quality of the Soviet Union is its five year planning orientation. The U.S. suffers terribly from the lack of planning. Planning begets certainty, certainty creates a more predictable investment climate. The Marketing Corporation could well provide the catalyst of this formula, in the role of planning services and promoting "networking". With the recent deregulation of transportation and the Federal government's efforts to divulge itself of its historic port maintenance responsibility, the stage is set for the cost-deflating networked shipping service.

D. Maximizing the Regional Identity

The Lake range is taking on more and more of a regional identity. This identity is currently being recognized even at the gubernatorial level. The six governors representing the six state cargo geomarkets are to meet in May of 1983 to discuss economic, transportation, commerce and related topics that they now feel require a regional planning approach.[99] The Great Lakes Commission, an interstate compact agency, has lobbied for Great Lakes regional interests since 1955. Its agenda has been historically dominated by topics concerning lake shipping and port development. As previously mentioned, the Commission will provide an excellent lobbying source for the Marketing Corporation at no cost.

The sponsors of the Marketing Corporation must allow it to be "experimental" and innovative as it solidifies its secondary marketing plan. On the other hand, current sponsors should demand that the Corporation make an exhaustive review of the opportunities made available by the ETC legislation and the revised FTZ regulations. Given the largely uncooperative position of the large railroads and the detrimental effect of the rail "siphoning system", the Corporation should seek to maximize the opportunities for small rail operators and motor carriers within the overnight trucking radius. The Marketing Corporation must be made alert to the changes in the foreign trade environment and take every opportunity to represent the range or support adequate representation at both the large trade conferences such as EUROSHIP in London as well as the smaller trade seminars within its hinterland. If sponsorship continues to be sluggish, the Corporation should be encouraged to seek immediate venture bank financing as the need for rate-route computer software is going to be essential within the next several years. All things considered, there is no reason why the Lake range cannot better position itself in the competitive cargo market via the cooperative networking tools made available by the Great Lakes Cargo Marketing Corporation.

APPENDIX I.

ENDNOTES

[1]National Academy of Sciences, Port Development in the United States, The National Research Council, 1976, p. 41.

[2]Approximations are derived from the Port Marketing Mail Questionnaires and Personal Interviews.

[3]Dudley S. Baker, Unpublished Thesis, Department of Marine Affairs, University of Rhode Island, 1981, p. 9.

[4]Martin J. Schwimmer, Management of a Seaport, National Maritime Research Center, 1973, p. 276.

[5]National Academy of Sciences, Port Development in the United States, op. cit., p. 21.

[6]Baker, Unpublished Thesis, op. cit., p. 39.

[7]Ibid, p. 9.

[8]Jacques LesStrang, Seaway, Seattle: Superior Publishing Company, 1976, p. 30.

[9]Ibid, p. 11.

[10]Ibid, p. 177.

[11]"Seaway Review", Volume 12, Number 2. Winter 1983, p. 4.

[12]Great Lakes Traffic and Competition Study, Maritime Administration, Simat, Helliesen and Eichner, Inc., Washington, D.C., 1979, Volumes I and II, p. 104.

[13]House of Representatives, Hearings before the Subcommittee on Merchant Marine and Fisheries, "The Future of Great Lakes Ports", Serial Number 96-21, GPO, Washington, D.C., 1980, p. 181.

[14]Great Lakes Traffic and Competition Study, op. cit., Volume I, p. 104.

[15]Louis E. Cellineri, Seaport Dynamics, Lexington, Massachusetts, D.C. Heath and Company, 1976, p. 50.

[16]Ibid, p. 51.

[17]Ibid, p. 52.

ENDNOTES (Cont.)

[18]The Lykes Brothers Line continues to provide regular liner service to ports in the Mediterranean and Persian Gulf.

[19]The comment is credited to Gerald Seifert, General Counsel to the House Subcommittee on Merchant Marine and Fisheries, from a seminar held at the University of Rhode Island, November 1982.

[20]Great Lakes-Overseas Marine Transportation Market Assessment, Maritime Administration, Simat, Helliesen and Eichner, Inc., Washington, D.C., 1977, Volumes I, Supplement to I and II, Volume II, p. 84.

[21]Great Lakes Cooperative Port Planning Study, Maritime Administration, PRC Harris, Inc., New York, 1981, Volumes I, II and III, Volume III, p. 188.

[22]Great Lakes Traffic and Competition Study, op. cit., Volume II, p. 91.

[23]U.S. Imports and Exports Transhipped Via Canadian Ports, Maritime Administration, Market Analysis Program, Washington, D.C., March 1981, p. 3.

[24]Phone Interview: William Filbin, Jr., Filbin Freight Forwarders, November 1982.

[25]Thomas A. Foster, "Domestic Intermodalism: Radical Change, Rapid Progress", Distribution Worldwide, November 1982, p. 36.

[26]The Great Lakes/St. Lawrence Seaway System: A Cooperative Marketing Approach, Great Lakes Commission, Simat, Helliesen and Eichner, Washington, D.C., 1981, Executive Report, Volumes I and II, Volume II, p. 71.

[27]"Seaway Review", Volume 11, Number 1, Autumn 1981, pp. 57-60.

[28]Eric Schenker, et. al., The Great Lakes Transportation System, University of Wisconsin Sea Grant Program, 1976, p. 61. (Dollar values in report are inflated to represent approximate 1982 figures).

[29]Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume I, p. 70.

[30]Great Lakes/St. Lawrence Traffic Forecast Study, Corps of Engineers, Kearney: Management Consultants, Chicago: 1976, Summary and Main Report, Summary Report, p. V-2.

[31]A Cooperative Marketing Approach, op. cit., Volume II, p. 12.

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[32]"International Banker", February 17, 1983, p. 32.

[33]U.S. Bulk Vessel Marketing Guide: Great Lakes-St. Lawrence Seaway Iron Ore Grain Trade, Maritime Administration, Great Lakes Regional Office, Cleveland: 1978, p. 17.

[34]Great Lakes Ports Coal Export Potential, Maritime Administration, Great Lakes Regional Office, Cleveland: 1980, pp. 28-29.

[35]Great Lakes Cooperative Port Planning Study, op. cit., Volume I, p. 6-1.

[36]Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume II, p. 108.

[37]Grant Davis, Management of Transportation Carriers, New York, Praegas Publishers: 1975, p. 148.

[38]Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume II, p. 118.

[39]Schwimmer, Management of a Seaport, op. cit., p. 276.

[40]Adapted From: David L. Kurtz and Louis E. Boone, Marketing, Chicago: The Dryden Press, 1981, p. 675.

[41]A Cooperative Marketing Approach, op. cit., Volume II, p. 83.

[42]Based on data collected via the mail questionnaire and personal interviews.

[43]LesStrang, Seaway, op. cit., pp. 116-134.

[44]Based on data collected via the mail questionnaire.

[45]Phone Interview: James Fish, Executive Director, Great Lakes Commission, January 1983.

[46]Phone Interview: Name Withheld From Report, November 1982.

[47]Phone Interview: James Fish, op. cit., January 1983.

[48]Phone Interview: Robert Sammel, President, Great Lakes Cargo Marketing Corporation, February 1983.

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[49]Kurtz and Boone, Marketing, op. cit., p. 670.

[50]A Cooperative Marketing Approach, op. cit., Executive Report, p. 9.

[51]Davis, Management of Transportation Carriers, op. cit., p. 148.

[52]Port Development in the United States, op. cit., pp. 22-25.

[53]Personal Interview: Michael Joseph, District Manager, American President Lines, December 1982.

[54]Ibid.

[55]Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume II, p. 118.

[56]Committee for Great Lakes Economic Action, Economic Development Administration, Academy for Contemporary Problems, Washington, D.C.: 1979, p. 3.

[57]A Cooperative Marketing Approach, op. cit., Executive Report, p. 18.

[58]Ibid, p. 16.

[59]A Cooperative Marketing Approach, op. cit., Volume II, p. 96.

[60]Personal Interview: Michael Joseph, op. cit.

[61]Great Lakes Cooperative Port Planning Study, op. cit., Volume I, p. 6-15.

[62]Great Lakes Traffic and Competition Study, op. cit., Volume II, p. 86.

[63]Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume I, p. 73.

[64]Ibid.

[65]Advanced rate-route computer software is available from several manufacturers including McDonald Douglas ("McAuto Freight") and ADP Corporation which markets "FASTRAN".

[66]A Cooperative Marketing Approach, op. cit., Executive Report, p. 19.

ENDNOTES (Cont.)

[67] Phone Interview: Al Ames, Director, Great Lakes Regional Marad Office, December 1982.

[68] Personal Interview: Michael Joseph, op. cit.

[69] Great Lakes Cooperative Port Planning Study, op. cit., (Appendix II-A), Volume II, p. A-3.

[70] Great Lakes Traffic and Competition Study, op. cit., Volume II, p. 229.

[71] Phone Interview: James Meuller, Export General Manager, Ford Motor Corporation, November 1982.

[72] Paul A. Amundsen, Current Trends in Port Pricing, Maritime Administration, Office of Port and Intermodal Development, Washington, D.C.: U.S. Government Printing Office, August 1978, p. 33.

[73] Phone Interview: Jill Rubin, Director of Public Relations, Port of Cleveland, December 1982.

[74] Great Lakes Traffic and Competition Study, op. cit., Volume III, p. F-23.

[75] Davis, Management of Transportation Carriers, op. cit., p. 148.

[76] Ibid, p. 162.

[77] A Cooperative Marketing Approach, op. cit., Executive Report, p. 10.

[78] Schwimmer, Management of a Seaport, op. cit., p. 294.

[79] Great Lakes Cooperative Port Planning, op. cit., Volume I, p. 6-2.

[80] Great Lakes-Overseas Marine Transportation Market Assessment, op. cit., Volume II, p. 91.

[81] Great Lakes Traffic and Competition Study, op. cit., Volume II, p. 212.

[82] "Twenty Sixth Annual Great Lakes/Seaway Survey", American Import/Export Management, Volume 96, Number 4: April 1982, pp. 30-38.

[83] A Cooperative Marketing Approach, op. cit., Executive Report, p. 11.

[84] Ibid.

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[85] Phone Interview: Sandra Bartley, Director, Ohio International Trade Division, August 1982.

[86] A Cooperative Marketing Approach, op. cit., Volume II, p. 86.

[87] Cellineri, Seaport Dynamics, op. cit., p. 448.

[88] Hearings before the House Subcommittee on Merchant Marine and Fisheries, op. cit., p. 176.

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[90] Ohio Export Services Directory, Ohio Department of Development, 1982, Preface.

[91] Kenneth Wainwright, Practical Export Marketing, Cassell and Company, LTD., 1971, p. 85.

[92] Phone Interview: Sandra Bartley, op. cit.

[93] Phone Interview: James Fish, op. cit.

[94] Paul A. Amundsen, Current Trends in Port Pricing, op. cit., p. 74.

[95] Ibid, p. 15.

[96] A Cooperative Marketing Approach, op. cit., Volume II, p. 8.

[97] "Twenty Sixth Annual Great Lakes/Seaway Survey", op. cit., pp. 36-38.

[98] Schwimmer, Management of a Seaport, op. cit., p. 284.

[99] Cleveland Plain Dealer, (Newsprint), March 1, 1983, Section A.

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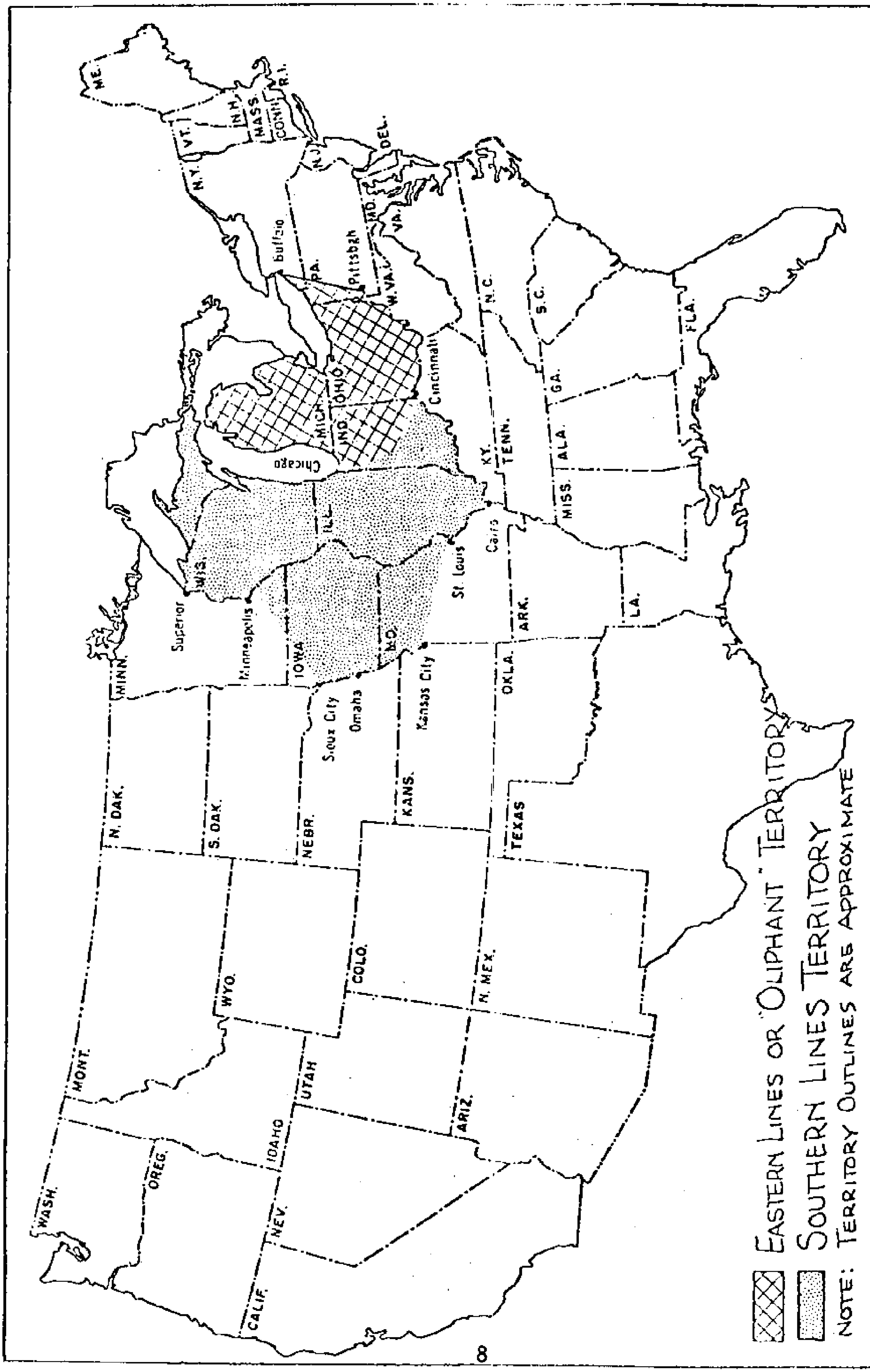
APPENDIX II.



FROM: Paul Amundsen, Current Trends in Port Pricing, MARAD, p. 8.

APPENDIX III.

GREAT LAKES CONTAINER CAPABILITIES

Cleveland
7,433 ft. dock frontage
29 acres (1,255,000 sq. ft.) open paved storage
5 transit sheds and warehouse with 550,000 sq. ft.
12 crawler cranes with capacities of 40-200 tons
One stiff-leg crane with 150-ton capacity
57 lift trucks
Four container handling spreaders - two 40' and two 20'

Detroit
Container Marine Terminal:
- 1,050 ft. dock with 27 ft. low water depth and 15 acre dock area
- Heavy lift crane with 200-ton capacity

Detroit Marine Terminals (Clark St.):
- 2,325 ft. dock with 27 ft. low-water depth
- 100,000 sq. ft. covered storage
- 2,000,000 cu. ft. cold storage
- 1,000,000 sq. ft. warehousing
- 3 mobile cranes, 150-200 ton capacities
- 3 traveling gantry cranes with 15-50 ton capacities
- One straddle carrier with capacity to handle 20-40 ft. containers

Buffalo
27 ft. draft
2,400 ft. length wharf
450 acres
1,000 20 ft. units
84,000 sq. ft. capacity at Terminal B
LeTourneau gantry crane - 55 ton capacity
American heavylift crane - 230 ton capacity

Burns Harbor
1,800 ft. dock frontage, 4 berths
15 acres paved open storage area
2 transit sheds with 146,000 sq. ft.

Milwaukee
500,000 sq. ft. open storage
229,600 sq. ft. covered storage
1,650-ft. wharf, 1,020-ft. pier and 991-ft. pier
220-ton stiff-leg derrick crane
200-ton mobile crane
300-ton mobile crane

Detroit Marine Terminals (River Rouge):
- 1,400 ft. dock with 27 ft. low water depth
- 80,000 sq. ft. covered storage
- 200,000 sq. ft. storage pads
- 1 250-ton Caterpillar crane
- 3 140-ton Caterpillar cranes
- 2 gantry cranes, 25 and 50 ton capacities
- 3 40-ton railroad cranes

Nicholson Terminal (Ecorse Dock):
- 3,400 ft. dock with 27 ft. low water depth
- 70,000 sq. ft. covered storage
- 4 12-ton gantry cranes
- 85-ton mobile crane
- 200-ton crawler crane
- 40-ton city container handler
- 6 30-ton diesel locomotive cranes

Nicholson Terminal (Summit St. Dock):
- 1,530 ft. dock with 28 ft. low water depth
- 200,000 sq. ft. covered storage
- 2 200-ton crawler cranes

Duluth/Superior
6,600-ft. dock frontage
325,000 sq. ft. hard surface open storage area
234,000 sq. ft. warehouse space
7 cranes, 150-ton
Container handling truck

Chicago
Container and general cargo piers
11,000 ft. dock
830,009 sq. ft. transit sheds
12 Crawler cranes — 110 ton to 220 ton capacity
2 75-ton Gantry cranes
1 Bridge crane

Toledo
4,100 ft. dock frontage
47 acres open storage
2 transit sheds with 169,000 sq. ft.
2 heavy-lift gantry cranes with 110 and 72-ton capacities
4 gantry cranes with 25-35 ton capacities
Storage area for 360 20-ft. containers, one high
Container crane on 600-ft. of rail, 30-ton capacity
Two gantry cranes with 90-ton capacity, 150 tons in tandem
Mobile crane with 35-ton capacity

Erie
1,500-ft. dock frontage
22 acres paved outdoor storage
300-ton derrick crane
Three crawler cranes, 140-ton, 125-ton and 200-ton capacities
80,000 sq. ft. transit shed

Hamilton
85,000 lb. capacity
Three stacker adjustable spreaders for 20-ft. and 40 ft. containers
Distribution and consolidation areas
Stuffing and destuffing capabilities
Rail and road connections to all major Ontario markets
Modern transit storage sheds
14 acres outside storage area
New Iroquois Container, general and project cargo terminal
45 acres paved area - top handling container equipment
6 grain elevators - 54 million bushel capacity
Coal export terminal - 7 million ton capacity
Liquid bulk facilities
Unlimited storage capacity for bulk cargo
Barge connections to 15,000 miles of inland waterways

Toronto
2 container piers, 1,700 meters in length, 8.3 meters water depth
Two roro berths, each 300 meters in length, 8.3 meters water depth
New roro berth under construction
Gottwald mobile container crane with 30-ton capacity at an outreach of 85 ft.
4 container handlers
Containers can be handled at all terminals
210,000 sq. ft. indoor storage
35 acre outdoor storage

FROM: "Seaway Review", Volume 11, Number 1: Autumn, 1981, pp. 57–59.

APPENDIX IV.

THE MARKET

The "market" for the Great Lakes/St. Lawrence Seaway System and the Marketing Corporation is comprised of four segments:

B.1 The Carriers

The Corporation must direct efforts toward preservation and enhancement of the various carriers which serve both domestic and international cargoes.

- Liner Service

The Lakes have been a casualty of the competition for intermodal container traffic by both vessel operators and the railroads. Depressed overland rates, with seldom more than a $10 per ton difference between alternate gateways, plus CAST Line's FAK rates on the best potential route for direct Lakes containership service (North Europe), leave the Lakes with very little room to show a rate advantage or to offer competitive service frequency.

It would appear, from the analysis in Chapter I, that the low lump sum container rates offered by Falline into the Lakes hold promise of a Lakes container service using bulk ships similar to that offered by CAST out of Montreal. However, because there are other variables associated with such a combination service in the Lakes versus Montreal, including fluctuations in the volume of grain and steel movements, and the close balance of costs by alternate carriers, including Lake transshipment, a combination service does not appear to be a solid basis for action by the Marketing Corporation.

The potential for excess transatlantic container service at Montreal with the addition of the Dart ships and CAST's new ship capacity is both good and bad news for Lakes container services. Estimates of total TEU capacity for the route (import and export)

FROM: Great Lakes Commission, Great Lakes/St. Lawrence Seaway System: A Cooperative Marketing Approach, SH&E, Vol. II, pp. 69–74.

range from 250,000 in 1981 to 500,000 in 1983. With that much capacity available from existing operators, contemplation of a new container service would appear to be academic. Because of potential overcapacity, some existing operators (e.g., Manchester) may find it advantageous to extend service into the Lakes. The SH&E Required Freight Rate Model indicates that extended service into the Lakes could compete with overland "feeders." The model also indicates that Dart ships will have the lowest costs.

Recommended Action by the Marketing Corporation

- Develop and expand relationships with carriers serving Montreal and explore the possible extension of the service into the Lakes.

- Monitor the situation in Montreal before making specific commitment to a container development program.

- Alternatively, develop a Lakes feeder service to Montreal, either by inducement to ocean carriers or by chartering-in tonnage.

• Bulk Service

The bulk trades are the backbone of Lakes traffic, including the direct export of grain. With some exceptions, the most effective efforts to further develop the grain traffic would be by local agencies providing facilities. Every lakeside elevator helps because it means there is more grain shipside without rail freight paid in. Other key bulk movements include coal and iron and steel.

Recommended Action by Marketing Corporation

- Work to secure better treatment of the Lakes/Seaway under iron and steel quotas or other such barriers.

- Try to develop additional bulk or neobulk imports for both the bulk carriers and the one-way liners.

- Follow developments on both sides of the border, particularly with respect to new bulk facilities--e.g., Quebec's planned development of the St. Lawrence.

• <u>Project and Breakbulk Service</u>

The Lakes have competitive rates and, to a lesser extent, services for breakbulk and project cargoes. This is a market that is likely to endure, and one that can be exploited more effectively by the Marketing Corporation than by the Midwest representatives of competing ports.

Lakes ports enjoy rate equality with competing tidewater ports on all trade routes across the North Atlantic. However, rates to and from North Europe are depressed relative to other trade routes. Therefore, there is some question as to whether lines serving the Lakes can afford to remain in this trade, the prime route in terms of tonnage potential. The inference, however, is that Lakes breakbulk services will continue to be viable on the less competitive routes.

The conclusion for the Marketing Corporation is that it should devote substantial efforts to the development of cargoes for the routes with the most advantageous rates. The organization will have to work with a wide array of vessel operators and/or brokers, and be conversant with conditions on numerous trade routes. In this regard, it can be more effective than the efforts of individual ports. On the other hand, the commercial intelligence that individual ports can provide on pending movements will be very valuable. The relationship is complementary, not competitive.

Recommended Action by Marketing Corporation

- Cargo/vessel coordination to improve the viablity of surviving liner services.
- Continuation of past efforts for more AID-type cargoes.
- Negotiation with rail carriers for more favorable export rates to Great Lakes ports.

B.2. The Shippers/Consignees

Because of the potential conflicts that could arise, it has been agreed that actual shipper solicitation activity by the Marketing Corporation would only be conducted upon request by a port or group of ports. Such activity by the Corporation would be for regional/national type accounts such as Ford or G.M. The Corporation could, however, play a role in helping small businesses to break into international markets.

Recommended Action by Marketing Corporation

- Facilitate System contact with presentations to large corporate shippers who might not presently use, but have the potential to use, the Great Lakes/Seaway System.
- Work with ports to provide shippers/consignees with optimal rate/route information.
- Provide information service relating to the Great Lakes/Seaway, as well as state-of-the-art information in areas such as materials handling, documentation, regulatory issues, and so forth.
- Audit distribution cost data and information.
- Inventory of shipper information to determine potential cargoes drawing lines into the Lakes.
- Assist and encourage small shippers to enter export markets.

B.3 The Landside Transportation and Ancillary Services

Landside transportation and ancillary services are required for the efficient handling and movement of cargoes. Not only must new services and facilities be developed and encouraged to serve the Lakes/Seaway, but operators now serving the Lakes ports must be assured that the promotion and continued use and development of the System will be to their economic advantage.

Recommended Action by Marketing Corporation

- Develop a working relationship with various commercial interests (i.e., terminals, truck companies, railroads, traffic departments, cargo-handling services, and banks) critical to the future expansion of the System.

- Develop data and information for use in negotiations with truck and rail carriers to obtain more favorable rates and routings.

- Conduct cost/benefit analysis for regional banks to underscore how much they lose when shipments (even those they finance) move through a competing port.

B.4 The Public Sector

The public sector provides a good share of the funds to support the Lakes/Seaway System. It should be the responsibility of the Marketing Corporation to arouse public interest both in the Great Lakes/ Seaway System and in the Marketing Corporation, its mandate and activities. The public must be made aware of the potential benefits that can accrue to cities, counties, and states from this total transportation system, particularly in terms of economic development. The Lakes/Seaway System can, through a combination of comprehensive and cooperative marketing, planning, and public support, become a viable, efficient, and competitive shipping system.

Recommended Action by Marketing Corporation

- To develop visibility for the new Corporation outside the transportation community, form an Advisory Board of well-known executives in the Great Lakes Region who have marketing expertise. The Board would provide (a) assistance in marketing and information planning; and (b) valuable industry and media contacts.

- Launch a media campaign aimed at educating the public on the goals of the Marketing Corporation, primarily the revitalization of the Lakes/Seaway System, and the importance of the System to the economic development of the Region.

- Meet with representatives of various state, regional and local agencies whose activities are affected by or have an impact upon the Lakes/Seaway System. Particular attention should be given to economic development agencies, departments of transportation and agriculture, and state/Federal legislators.

These four market segments will also be the "target markets" for the Corporation's membership solicitation efforts.

APPENDIX V.

EXHIBIT 28

EXAMPLES OF STATISTICAL DATA SOURCES

- BUREAU OF THE CENSUS (hard copy)
  - FT 985 - U.S. Waterborne Exports and General Imports (monthly & annual)
  - FT 990 - Highlights of U.S. Export and Import Trade (monthly)
  - FT 150/155 - U.S. General Imports (annual)
  - FT 450/455 - U.S. Exports (annual)
  - Census of Transportation (1972 and 1977)

  (Original data are provided on data tape or microfiche)

- MARITIME ADMINISTRATION
  - Containerized Cargo Statistics (annual)
  - Port Facilities Inventories
  - Vessel Inventory Report (annual)
  - Commodity Movement Monthly/Annual (data tape)
  - United States Oceanborne Foreign Trade Routes (annual)

- CORPS OF ENGINEERS
  - Waterborne Commerce of the U.S. (annual)
  - Domestic Waterborne Trade of the U.S. (annual)
  - Port series and Transportation series

- ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
  - St. Lawrence Seaway Traffic Reports (annual)
  - Statistics for Overseas and Canadian Waterborne Commerce (annual) (individual port and trade route data)
  - Corporation Annual Financial Report
  - St. Lawrence Seaway System Brochure

- OTHER
  - Domestic and International Transportation of U.S. Foreign Trade (Special O&D Survey 1970 and 1976)
  - Journal of Commerce ISIS/EXIT data
  - MARDATA
  - Lloyd's Shipping Intelligence Service
  - USDA, U.S. Foreign Agricultural Trade Statistical Report

FROM: Great Lakes Commission, Great Lakes/St. Lawrence Seaway System: A Cooperative Marketing Approach, SH&E, Vol. II, pp. 100–101.

EXHIBIT 29

RECOMMENDED PERIODICALS AVAILABLE BY SUBSCRIPTION

- American Import-Export Bulletin (monthly)
- American Shipper (monthly)
- AIPR Reports (monthly)
- Bulk Systems (monthly)
- Business America (monthly)
- Cargo Systems (monthly)
- Coal Age (monthly)
- Congressional Information Bureau (daily)
- Container News (monthly)
- Containerizational International
- Distribution worldwide (monthly)
- Industrial Development (monthly)
- Industrial Marketing (monthly)
- International Bulk Journal (monthly)
- Journal of Commerce (daily)
- Lloyd's List (daily)
- Marine Engineering/Log (monthly)
- Ocean Industry (monthly)
- Railway Age (monthly)
- Sales Marketing & Management (monthly)
- Shipbuilding & Marine Engineering Int'l (monthly)
- Shipping Digest (weekly)
- Shipping News (weekly)
- Traffic Management (monthly)
- Traffic World (bi-weekly)
- Transport 2000 (monthly)
- Transportation & Distribution Management (bi-monthly)
- Various Association Newsletters
- Various Port Magazines & Newsletters
- World Ports (monthly)

APPENDIX VI.

EXHIBIT 13

COMPARISON OF LINER RATES BY TRADE ROUTES

GREAT LAKES vs. NORTH ATLANTIC PORTS

COMMODITY CATEGORY	United Kingdom		Continent		Mediterranean		India, Pakistan, etc.		Latin America	
	Great Lakes	N. Atlantic	Great Lakes	N. Atlantic	Great Lakes	N. Atlantic	Great Lakes	N. Atlantic	Great Lakes	N. Atlantic
Cargo N.O.S.										
Import	$160.00 W	$152.50 W/M	-	-	-	-	$237.75 W 176.00 M	$234.25 W 173.25 M	$250.00 W/M	-
Export	173.25 W/M	-	$250.00 W/M	$263.50 W/M	$150.50 W/M	$205.50 W/M	198.25 W/M	-	243.00 W/M	
Chemicals, N.O.S.										
Import	220.00 W/M	245.50 W	125.00 W	103.25 W/M	-	-	-	150.25 W 133.25 M	-	-
Export	113.50 W/M	-	90.75 W/M	117.25 W/M	147.50 W/M	181.75 W/M	137.00 W/M	-	189.00 W	-
Equipment										
Import	-	122.00 W/M	-	-	-	-	-	179.50 W 160.75 M	-	-
Export	-	-	-	165.75 W/M	201.00 W/M	200.75 W/M	-	-	216.00 W/M	-
Foodstuffs										
Import	160.00 W	148.75 W	125.00 W/M	98.75 W/M	242.00 W	-	145.25 M	153.00 W 135.50 M	-	-
Export	-	-	72.50 W	227.25	110.00 W	261.00 W	173.25 W/M	-	121.00 W/M	-
Hardware										
Import	-	121.75 M	-	148.50 W/M	-	-	127.50 W 126.00 M	164.50 W 135.50 M	-	-
Export	-	-	-	107.75 W/M	-	168.00 W/M	-	-	243.00 W/M	-
Iron/Steel Sheets										
Import	85-90.00 W	163.25 W	150.00 W/M	62.00 W	98.00 W	-	91.75 W	72.75 W	-	-
Export	110.25 W	-	-	-	116.50 W	138.75 W	-	-	104.00 W/M	-
Machinery										
Import	195.00 W/M	130.25 W/M	82.50 W/M	144.00 W/M	121.00 W/M	-	-	174.50 W 156.25 M	-	-
Export	169.25 W/M	-	92.75 W/M	170.25 W/M	156.50 W/M	132.00 W/M	-	-	183.00 W/M	-
Vehicles										
Import	122.25 W/M	108.00 M	50.00 M	37.00 W/M	107.00 W/M	-	-	127.00 W 114.00 M	-	-
Export	122.25 W/M	-	65.75 W/M	101.75 W/M	110.50 W/M	287.50 W/M	-	-	101.00 W	-
Beer										
Import	-	158.50 W	-	69.50 W	-	-	-	-	-	-
Export	-	-	-	85.50 W/M	208.50 W	303.50 W	-	-	-	-
Wines										
Import	100.00 W/M	103.75 W/M	130.00 W	153.00 W	232.50 W	-	-	-	-	-
Export	-	-	-	147.50 W/M	-	219.50 W	-	-	-	-
Spirits										
Import	-	103.75 W/M	-	-	-	-	-	-	-	-
Export	-	-	-	-	188.00 W	271.50 W	-	-	-	-

APPENDIX VII.

SPECIAL REPORT

WHY AND HOW TO ESTABLISH AN ETC

ETC OPPORTUNITIES

The recent passage of the Export Trading Company Act offers U.S. businesses new opportunities to profit from overseas trade. What are these new opportunities, and what advantages do ETCs present that will motivate participants to invest?

The ETC Act addresses two major constraints - antitrust and financing - that have traditionally made American companies reluctant to engage in international trade. With advance antitrust certification, U.S. firms are now freer to jointly supply overseas requests for manufactured goods and services. They are also freer to bid cooperatively on overseas projects. Additionally, the ETC Act allows bank holding companies, Edge Act subsidiaries of bank holding companies, and bankers' banks to invest in and own ETCs. This opens up important new sources of financing for the historically under-capitalized U.S. export service industry.

The export trading company concept offers investors other advantages, aside from the antitrust and financing provisions outlined in the legislation. By combining the know-how, resources, and increased bargaining power of multiple investors, an export trading company can reduce the costs and risks of international trade, and open up important new markets to a sluggish U.S. economy struggling with increasing foreign competition. A seasoned institution in both Europe and Asia, the trading company has been a prime factor in Japan's successful penetration of world markets.

BENEFITS: SMALL/MEDIUM-SIZED BUSINESSES

Small and medium-sized businesses are expected to be among the biggest beneficiaries of the new ETC legislation. According to Malcolm Baldrige, Secretary of Commerce, "small and medium-sized U.S. manufacturers for the first time in nearly a century [are] provided the opportunity to compete in the world market on an equal footing with their counterparts in other countries." American firms heretofore afraid of the intricacies of foreign trade can now ship goods via a one-stop, full-service ETC, transforming the transaction to a familiar domestic sale.

There are several keys to using an ETC successfully, notes Dr. Richard V.L. Cooper, a partner at Coopers & Lybrand. First, companies must go through the same careful search process to find the ETC best suited to them that they do when developing domestic distributor and sales relationships. Second, they must be willing to adapt their products to foreign markets, or to provide the ETC with the know how to make such adaptation. Third, American manufacturers must be willing to make long term commitments -- foreign trade is not just for periods when there is a downturn in domestic markets. Those American companies that undertake such efforts are likely to find themselves well rewarded.

Using an ETC is not the only option for small to medium-sized businesses, explains Donald Earnshaw, Deputy Assistant Secretary of Commerce. Many may join with manufacturers of similar products to invest in and form their own ETC. Indeed, the new law is designed to make it easier for such cooperative efforts to take place, according to Kermit W. Almstedt, an attorney with Preston, Thorgrimson, Ellis & Holman.

BENEFITS: OTHER INVESTORS

An ETC will make it easier for small and medium-sized U.S. businesses to export and, through greater efficiency and economies of scale, earn a profit for ETC investors.

Profitable returns is not the only reason to consider investing in an ETC, however. In fact, due to the long-term nature of trading profits, it may not even be the major reason. Dr. Cooper, in a paper entitled "Potential Investors in Export Trading Companies," suggests several other reasons why various organizations may be motivated to invest in ETCs. These include:

- Selling to existing customers new products or services complementary to the investor's primary business
- Gaining access to new classes of customers, both domestic and foreign
- Expanding sales of the investor's own products to new countries and markets
- Defraying the costs of the investor's existing international infrastructure
- Identifying unique investment opportunities abroad
- Revitalizing the local economy

Each of the various potential investors will be motivated by one or more of the above benefits. For example, in addition to the profits from an ETC, banks may invest in order to expand their traditional financial services and enlarge their customer base. Manufacturing firms may view the ETC investment as a way to increase sales of their own products while sharing the heavy initial costs of entering new markets. Multinational corporations may establish ETCs to handle complementary product lines and spread the cost of their existing infrastructure to another profit producing entity, as did General Electric with its GE Trading Company.

Insurance companies and investment banking houses may invest in ETCs to help identify investment opportunities abroad. Large retailers may establish ETCs to complement their present import operations, using their contacts abroad to help export U.S. products and services, notes Frank Carlucci, incoming President of Sears World Trade, Inc. An ETC would benefit transportation companies by enhancing the use of their own services; foreign traders may invest in the ETC as a means for expanding their U.S. contacts and infrastructure. Export management companies may join ETCs to increase their capitalization and enhance their services, while trade associations could participate in order to increase the product sales of their members.

Port authorities may invest to revitalize their ports and increase the use of port services. Finally, economic development agencies may invest in ETCs in order to stimulate the sales revenues of local businesses, generate employment, and increase the local tax base.

Any organization contemplating ETC investment must also consider the riskiness of the investment, and possible business conflicts or legal restrictions. To protect his investment, the potential investor should carefully analyze what factors, funds or skills he has to offer to ensure the success of the trading enterprise, and undertake a comprehensive planning effort.

HOW TO PLAN AND DEVELOP AN ETC

According to Dr. Cooper in another report, "Structuring an Export Trading Company," deciding what kind of ETC to establish and how to establish it requires three major steps. First, the investor needs to identify the strategic objectives of the ETC. Second, he needs to consider how the ETC might be structured to accomplish these objectives. Finally, he must develop a formal business plan.

1. Strategic Objectives

The first task is to define carefully what the investor hopes to achieve with his investment.

Definition of the strategic objectives involves focusing on four key issues:

- <u>Organizational Goals</u> -- What are the investor's broader organizational goals, and how might an ETC fit into these goals?

- Constraints -- What legal or self-imposed limitations does the investor face?

- Tradeoffs -- What tradeoffs among these objectives and constraints is the investor willing to make? The key tradeoff is perhaps short-term versus long-term profitability.

- Existing Operations -- What are the investor's existing resources and capabilities? The investor should seek to build on his present strengths and capabilities. Also, what type of ETC would provide the greatest benefits when combined with existing operations?

Once the investor has analyzed these four issues, he can define his overall strategy for the ETC. This strategy will serve as the backdrop for structuring the ETC.

2. Structural Issues -- Narrowing the Options

It is important to recognize that the new legislation opens some doors -- it does not prescribe any set format or structure. As a result, there are potentially many different structures for an ETC. To narrow the options to those that would best enable the investor to achieve his objectives, decisions must be reached on each of the following eight issues:

- Products -- Choosing which products to export is one of the most important decisions an ETC must make. The investor must evaluate the marketability of the candidate products and the ETC's access to and comparative advantage in marketing these products. For example, a supplier sponsor will have a comparative advantage -- in terms of both access and market knowledge -- with respect to his own and similar products. A bank, on the other hand, may look for products from its geographic region.

- Markets -- The investor must identify his foreign markets. Markets in this sense can be thought of either in terms of countries or regions or in terms of types of buyers. The decision about markets should be based on both the market potential for the products and the risks of doing business in the candidate markets. The investor should also consider the comparative advantages of the ETC in serving these markets.

- Domestic Scope -- A third element that needs to be considered is the geographic area within the United States from which the ETC will draw its products. This decision should be based on the investor's location, contacts, and comparative advantage. Decisions about domestic scope are likely to be particularly important for sponsors without a natural product base -- e.g., banks.

- Activities -- The investor must decide on the range of activities in which the ETC will engage. In addition to exporting, the ETC may engage in importing, third country trading (i.e., trading between two nations unaffiliated with the ETC's home country), bartering, or switch trading (i.e., using a third country's currency in the trade between two nations). Trading in certain markets, for instance, may require the ETC to engage in countertrade.

- Services -- The investor must also decide on the types of services he will provide. Services to be offered might include locating buyers; adapting or packaging products; export financing; shipping, insurance and customs documentation; warehousing, distribution and after-sales service; and market intelligence. Some ETCs will want to be "one stop shops," providing all the above services, either through their own resources or by subcontracting to others for some services. Other ETCs may decide to focus on one or two specialized functions, such as market assistance or trade logistics.

- Distribution Network -- Additionally, the investor must establish a plan for its distribution network, including domestic transport and warehousing, overseas transport, and transport and distribution within the foreign markets.

- Participants -- The seventh element to be considered is the ETC's participants and joint venture partners. Potential participants should be evaluated with respect to complementary capabilities as well as possible areas of conflict.

- Financial Resources -- The final factor that must be considered is the amount of financial resources to be committed. This factor will play a critical role in determining both the size and scope of the ETC.

Reaching decisions on these eight factors is an interactive process; the decision reached on one factor will affect the options appropriate for the remaining factors. When all eight factors are defined, the basic structure of the ETC will be formed.

To complete the ETC structure, the investor should undertake a careful inventory of his own organization's strengths and weaknesses relative to the ETC that he envisions developing. For those areas where his existing organization falls short of the ETC's needs, the investor must supplement his capabilities. There are five ways to do this: develop the capabilities in house; hire new staff; purchase another organization; arrange to contract out for services; or bring in partners. Once the investor has decided how to meet all required capabilities through one or more of these options, the ETC structure is defined.

3. The Business Plan

At this point the investor is ready to develop a formal business plan. This plan should include:

- A mission statement
- A marketing plan
- An organizational plan
- A financial plan
- A legal plan
- A growth strategy

The business plan will provide the basis for a detailed action plan for implementation, which will identify the steps required to proceed, individual roles and responsibilities, a time schedule, and contingency plans.

It must be emphasized that structuring and developing an ETC is not an easy task. But, with thoughtful and careful planning there is a good chance of finding the right mix of ingredients to develop a successful trading enterprise.

For further information, see:

Richard V.L. Cooper, "Structuring an Export Trading Company," Coopers & Lybrand, Washington, D.C. August 23, 1982.

Richard V.L. Cooper, "Potential Investors in Export Trading Companies," Coopers & Lybrand, Washington, D.C. May 26, 1982.

Kermit W. Almstedt, "Exports and The Antitrust Laws: Problems and Solutions," Preston, Thorgrimson, Ellis & Holman, Washington, D.C., November 1981.

APPENDIX VIII.

University of Rhode Island, Kingston, Rhode Island 02881
Department of Geography and Marine Affairs (401) 792-2596

Great Lakes Port Marketing: a Survey

October 23, 1982

TO: Great Lakes Port Executive Directors
Great Lakes Port Trade Development Managers

FROM: William S. Weiant
Graduate Student of Marine Affairs
Port and Shipping Specialist

RE: Great Lakes Port Marketing Survey

I am a graduate student and a candidate for the Masters degree in Marine Affairs at the University of Rhode Island. I have specialized in Great Lakes shipping and port development. I was employed last summer by the Great Lakes Commission as a research assistant and had time to investigate some interesting aspects of our Lakes transport system and its landward connections. It was often frustrating to see how efficient the system could be but how underutilized it remained at the hands of "mis", "mal", or "un-" informed general cargo shippers.

One of the critical problem areas facing the system is the relative effectiveness of current port marketing strategies. I have had the great pleasure and opportunity of discussing port marketing dynamics with both knowledgeable professionals in the Lakes area and students of ports here in the East. The common denominator of these discussions is that no one readily agrees on the "How-To's" of port marketing. Hence, I am coming directly to you with the enclosed survey with the intention of understanding the "How-To" a little bit better. I am most interested in the promotional aspects of your particular marketing mix. As you read the survey it should be apparent that I am more interested in recording "usable ballpark data" then in compiling a lot of tedious glorified detail. Given the extremely small sampling size, your input is absolutely vital. Furthermore, if you feel that some significant aspects of your marketing strategy are going to be overlooked, please do not hesitate to elaborate in the margins or the on the back of the survey.

All information will be strickly confidential. Any significant results of the survey will be released in aggregate form only. If such distribution seems warrented it will be done so through the Great Lakes Commission by the New Year. If you have any questions concerning the content of the survey please leave a message at 401-789-2596. I will return the call promptly. If you have any questions concerning my integrity or the survey's motive please call Jim Fish of the Commission for verification. I thank you and the industry for your cooperation. Please have the survey postmarked no later than November 15, 1982. Thank You!

Sincerely,
William S. Weiant

University of Rhode Island, Kingston, Rhode Island 02881
Department of Geography and Marine Affairs (40´) 792-2596

Great Lakes Port Marketing Survey

I. Descriptive Data

1) Personnel

A) Please enter the name and title of your marketing or trade development manager,(This person does nothing but marketing).
Name; ____________________
Title;____________________

B) Does this person oversee any full-time marketing subordinates?
Yes____ No____
If Yes, how many? ____

2) Legal and Budget

A) What was your port's Total Budget in 1982? ____________

B) Of this Budget, how much would you estimate was dedicated to Marketing functions? __________

C) Is your port in any way legally restrained in its Marketing (Promotional) tactics by its Public Authority Charter?
Yes____No____
If Yes, please explain: ____________________________

____

____

3) Marketing Channels

A) Does your port have its OWN National Field Office Network?
Yes____ No____ (Include Canadian Offices)
If Yes, where are these Offices located? ______________

____

B) Is your port represented by any "Out-Of-House" Marketing Firms on the National level? (i.e. An on-going promotional account)
Yes____ No____
If Yes, please explain: ____________________________

____

C) Does your port have its OWN Foreign Field Office Network?
Yes____ No____ (Do Not Include Canadian Offices)
If Yes, where are these Offices located? ______________

____

D) Is your port represented by any "Out-Of_House" Marketing Firms on the International level?
Yes____ No____

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D) (cont.)
If Yes, please explain: ______________________________

____

E) Has your port allocated any of its 1982 Marketing Budget to secure the Promotional Services of any of the following:

Local Chamber of Commerce ________
Greater Metropolitian Growth Foundation ________
State Trade Development Office ________
Metropolitian Area Trade Clubs ________
Other(s), (please specify) ______________________
____

II. Individual Port Marketing

1) Market Targets

A) Please RANK the following types of shippers in the order in which you perceive them to be a target market:(1=most priority)
____ Bulk Shippers
____ Break-Bulk Shippers
____ Container Shippers
____ Other (Specify) __________

B) What major sources of market information have you used to verify your ranking scheme in the above question? (Ex.:your own shipper survey, specific consultant studies, government studies)

____

____

____

C) Has your port undergone a Marketing Audit within the last ten years? (Marketing Audit= "A thorough, objective evaluation of an organization's marketing philosophy, goals, policies, tactics, practices and results") Yes____ No____

D) What general proportion (if any) of your marketing Outlays and Contact Time have been dedicated to the following in 1982:

Rail Carrier ____
Motor Carrier ____
Ocean Carrier ____
Fowarder/Broker ____
NVOCC ____

USE: H=High Proportion
M=Medium "
L=Low "
N=None

E) How many tons (ST) of General Cargo (Container and all Break-Bulk) did your port handle in 1981? ______________
What tonnage is projected for 1982? ______________

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2) Carrier Service

A) With respect to General Cargo,(Containerized, Palletized, all Break-Bulk, etc.) which Rail Carrier most Frequently (by schedule) serves your port? ______________________________

B) Have you ever engaged in a Joint Marketing effort with this carrier? Yes____ No ____

C) Generally speaking, what influence has your marketing strategy had on gaining better rail service?
____ Substantial
____ Some
____ None

D) Generally speaking, how would you describe your current working relationship with rail carriers?
____ Freindly
____ Neutral
____ Hostile

E) With respect to General Cargo, which Motor Carrier most frequently serves your port? ______________________________

F) Have you ever engaged in a Joint Marketing effort with this carrier? Yes____ No____

G) Does your Port Authority manage and operate its general cargo terminal or is this fuction passed on to a commercial lessor?
____ Port Authority Management
____ Commercial Lessor Management
If the terminal is managed by a Commercial Lessor what role does your Port Authority play in the terminals' promotion?

____

____

____

H) Is your port "Host" to any NVOCC system operation? Yes____ No____

I) Please note below the Most Significant Changes that have occurred in your Marketing Strategy since 1972.(Marketing Strategy= "The overall (port) program for selecting a particular market segment and then satisfying consumers in that segment through the elements of the marketing mix (promotion)."

____

____

____

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III. Cooperative Port Marketing

1) With respect to the Great Lakes Cargo Marketing Corporation,(GLCMC):

   A) Have you dedicated any 1982 Outlays to this entity? Yes____ No____
   If Yes, please state the amount: $__________(Go to Question #2)

   B) If you have not dedicated Outlays, do you intend to do so in 1983?
   ____ Yes
   ____ No
   ____ Undecided

   C) What is the most significant Reason(s) for your port's current decision not to finance GLCMC Operations? ____________________

2) In what SPECIFIC ways can this cooperative venture advance your port's best interests? ____________________

3) In what SPECIFIC ways can the Corporate Entity be kept Accountable to your port's interests? ____________________

4) In general, what is the nature of your viewpoint concerning general cargo market opportunities for the Great Lakes ports within the next ten (10) years?
   ____Optimistic
   ____Cautious
   ____Pessimistic

-END-

-Please Feel Free To Make Any Comments On The Back and Front Of This Survey, In The Margins, Or Anywhere Else You Deem Appropriate-

****
* PLEASE MAIL YOUR COMPLETED SURVEY BEFORE NOVEMBER 15, 1982 TO:
*
* WILLIAM S. WEIANT
* DEPARTMENT OF MARINE AFFAIRS
* 225 WASHBURN HALL
* UNIVERSITY OF RHODE ISLAND
* KINGSTON, RHODE ISLAND 02881
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APPENDIX IX.

TIDEWATER RANGE FIELD REPRESENTATION

NEW YORK	Chicago and Cleveland Zurich, London and Tokyo
BALTIMORE	Chicago and Pittsburgh London, Brussels, Hong Kong Tokyo and Seoul
NORFOLK	Chicago Brussels, Tokyo and Sao Paulo
NEW ORLEANS	Chicago and St. Louis Munich, Piraeus, Tokyo Melbourne and Panama

Adapted from: "Great Lakes/St. Lawrence Seaway System: A Cooperative Marketing Approach", Volume II, p. 55, SH&E Consultants, 1981.