

## Notes of Giovanetti's Reflections over 30+ years for CONECT, Nov 7, 2013

The two key things I want to share today, which have guided my life and success in international transportation/logistics are

1. Develop friendships with others in your profession. With a wide network, you'll always know someone who has had resolved problems or had experiences similar to what you are facing. As a matter of fact, my network helped me to WSSA: I was in Chicago when I found my current job in Virginia from talking with a forwarder in San Francisco who knew that a recruiter in New York was seeking candidates.
2. Keep your mind open to learning new things. There are still very few schools which focus on International Logistics, so much of what everyone learns comes from shipping periodicals and industry events such as this

CONECT is an excellent forum for achieving both.

I was very fortunate throughout my professional life. I began in international trade in the late 1960's in Calif, and frankly all I knew about ocean shipping was from Ralph, who was our Traffic Manager. Ralph was frequently in San Francisco, where most of the forwarders and ocean carriers were headquartered, and he always had answers to our questions (when we could catch him in the office).

As a part of my job, I made presentations for capital projects to customers in South America, North Africa, the Soviet Union, and Eastern Europe. This enabled me to visit many countries and have incredible experiences in seeking to understand and relate to those whose cultures and background were much different from mine.

In the late 1970's, I was transferred to Corporate Headquarters in Chicago, to manage the company's 40 or so decentralized exporting/importing divisions to gain the maximum clout for our international transportation spend.

Among other things, that's how I first met Peter Friedman when he was a young/smart Senate staffer working on what became the Shipping Act of 1984 (and when I was much younger and had more hair). My company wanted to make sure that Congress made improvements but didn't introduce problems for us by changing the rules of ocean shipping.

After a few years, my CEO decided that a large corporate transportation staff was a luxury the company couldn't afford, so I was looking for a job. That's when I found the Wine and Spirits Shippers Association (WSSA), and joined them in 1983.

WSSA was formed in 1976, essentially as a result of a transatlantic class action suit in which the ocean carriers and conferences set aside some \$50 million to reimburse shippers who alleged that ocean carriers illegally colluded to force freight rates to be unduly high. The Shipping Act of 1916 permitted joint pricing among competing carriers, yet the carriers agreed to the settlement to avoid more intensive investigation into their pricing practices. WSSA came into being when conference carriers,

who had historically met with major beverage importers to set tariff rates, refused to continue negotiating in this manner because of anti-trust concerns.

Continuing to represent the beverage industry in freight negotiations was the reason for WSSA's establishment. Yet, until 1984 there were few mechanisms for any shippers' association to negotiate and conclude a contract for ocean freight.

One of our major accomplishments was to negotiate contract rates with Canadian (Montreal) carriers, which earned WSSA strong support from importers in New England and the Midwest. To give an idea of how ridiculous rates became after the US carriers started to compete aggressively with the Montreal carriers, it was soon much less expensive to bring a container into NY and rail it to Chicago, than it would have been to terminate the container at the port—sometimes even a bigger cost spread than the cost of return rail from Chicago would have been.

Despite the Shipping Act of 1984 becoming law, with specific rules about service contracting and prohibitions against carriers' refusing to deal with shippers' associations, our problems were not necessarily solved. Conferences created many obstacles, including demanding we seek a favorable letter from the US Dept of Justice, attesting to the fact that we did possess unreasonable market power (normally less than 35% of the market). Since DOJ was inundated with these unexpected requests, it took over a year for us to obtain such a letter (and WSSA was one of the first!).

After overcoming a few more hurdles, we finally gained our first service contract, in 1986. Today, we annually sign around twenty contracts with almost as many carriers, not just over the transatlantic, but also from South America, Australia/New Zealand, and South Africa.

A key tip in reaching an agreement that is good for our members is to keep in mind that everything is negotiable. We've toyed with coming up with our own boilerplate contract, but most carriers are in love with their own. While they'll say their wording cannot be modified, it's not so difficult to construct an appendix to remove or modify offensive boilerplate language.

And it never hurts to make friends of those with whom you're negotiating. I've learned to never push an advantage to extremes, as I certainly don't want to feel similar pressure when the pendulum swings from Shipper to Carrier advantage (as it periodically does).

So, to conclude, I thank my network of friends for what I've achieved, including my CONECT membership; my quest for always wanting to learn more about this non-traditional business; and, of course, the support and patience of my wife, Marilyn.