

## **Roy Page – President, Page International**

When asked to speak to you today, my first thought was, “Why me?” There’s no way I can tell you how to run your business. God knows I need all the help I can get just to run my own. But when I saw the names of the other speakers, I realized the reason I was asked was simply to connect the past with the present since there’s probably not many, if any, of you who have handled the exporting of clay as long as I have. That’s okay. Though I don’t believe we should live or work in the past, I do believe in order to go forward we first have to know from where we have come. We have to go back to when things were right and see what has changed before we know what to fix and how to move on.

I take you back to the days when clay was referred to as “Georgia’s White Gold”, a time when there was no competition outside Middle Georgia. A time when ocean carriers were beating down the doors to ship as much of it as they could. A time when many thought Georgia would one day have a clay lake that would rival Florida’s Lake Okeechobee because of all the mining. A time when people would answer the question, “How long will our supply last?” by replying “Long after we and our children and our children’s children are dead and gone.”

My first shipment of kaolin clay was in Feb 1973. Some of you weren’t even born then and believe me I’m reminded of that quite often by my own staff. My first client, and mentor, served as a sales agent in the Japanese market for a large clay producing company, and as we all know the Japanese have always been a nationality of high expectations and little tolerance.

My client was a pioneer in the exporting of clay. I watched and learned from him as he moved the transportation of it from paper bags to palletized bags to shrink-wrapped pallets to super sacks. I participated in many meetings he held with steamship lines, terminals, and stevedores as he explored and developed these and other ways of shipping reduced costs to the end user. I saw him charter break bulk vessels carrying 35,000mts every 6 weeks. And I saw his competition mimic him in many ways. In fact, most of what is in place today originated through him. He was ahead of his time, always looking for better ways because he knew to stay the same meant backing up as time would pass him by.

Keep in mind this was during a time when the container rates were regulated and all carriers shipping the same product from and to the same locations were required to charge the same rate. The separation among shippers, therefore, was defined by customer service and none was better at that than my client. The service we provide at Page today is a direct reflection of his teaching.

My client knew that the only true customer in exporting is the buyer and everyone else is simply a player on the team that services him. However, he also knew the value of that team and the importance of each to be profitable. At the same time he expected all to be as efficient as possible and to provide professionalism at the highest level, starting with his own company. With a staff of less than 20 at any given time including his New York and Tokyo offices, he streamlined his costs to a minimum, relying on others to do the same in their organizations. He depended on, and demanded, the maximum from the supplier, the railroads, truckers, forwarder, terminals, stevedores, and the ocean carriers and he settled

for nothing less. Every i had to be dotted and every t had to be crossed. Cargo had to be properly marked and clean prior to shipping and each bag had to be accounted for. Efforts like this resulted in increased business for him and thus for every other player on the team.

My client retired about the time deregulation started. At that time I began to work with the clay producer directly. I recall a certain conversation with an individual within that company where we discussed the improper marks on an upcoming shipment and telling him that we needed to have the bags remarked. I remember that individual telling me, "We ship clay, not marks. We're not spending money to re-mark the bags. If the customer wants the product, he will get it as we ship it." I was floored by that statement as were the customers, and I knew at that moment we had entered a new era in the exportation of clay as customer service had taken a back seat to bottom line costs

During this time, activity was starting to stir in South America, but to no one's alarm. Yes, the product was cheaper, but the lack of quality did not justify the lower prices. Nothing was better than Middle Georgia Clay and customers abroad knew it. However, time gradually moved on and we woke up one day to the customers saying, "It's still not as good but it's a lot better than it used to be and now the difference in price does warrant the somewhat inferior quality." In other words for the difference in savings, the customer could accept a somewhat lesser quality.

Since then we have come to see that the clay competition is no longer limited to the American companies, but perhaps more so from foreign companies. How can that be? I recall it said here in this conference a few years back that the average American clay worker earned in the neighborhood of \$52,000 annually while at the same time the South American worker earned in the area of \$12,000. This difference in cost forced the need for the American companies to seek freight reductions in order to narrow that gap and with de-regulation in place and the ocean carriers needing to reposition their equipment to allow for import moves, the decline in export freight rates took off. I saw rates fall from the mid \$2000's to \$300 or lower. Today, although years later, we are reeling from these low rates and yet shippers, trying to compete in the marketplace, are demanding still lower rates from the carriers, and carriers, trying to survive themselves, are trying to remove the brokerage paid to the freight forwarder and find other means of compensation through surcharges, and here we are, no one making any money. If we continue in this manner, we will all be out of business and the government will take over the industry and we the taxpayers will foot the bill.

Where do we go from here? They say "Necessity is the mother of invention". I believe we'll all agree the time of necessity is upon us and we have to invent new ways through new ideas, but what exactly will that be? This is where I pretty much turn it over to the other speakers, but first I have a few thoughts myself although they are not meant in any way to be solutions. One is while I'm not advocating going back to regulation, I do believe it's time to stop the fighting and bickering among ourselves and go back to working as a team. We are already at a disadvantage with the foreign competition due to the difference in wages and we can't reduce those wages overnight, nor am I suggesting it. But I am suggesting we find a way to lower our ex-works costs. We have to do more with less! Based on the salary difference just mentioned, the American worker has to do 4.5 times the work

of its South American counterpart. How can this be done? Perhaps through automation and possibly outsourcing much of what we are today paying our staffs to do.

Your forwarder, for example, should be your first and foremost partner and your relationship with him should be such that to the outsider it would be hard to distinguish him from your own staff. I wrote an article a few years back entitled "Your Freight Forwarder, Friend or Foe?" and I have a few copies with me if anyone cares to read it. In it I mentioned the functions of international logistics and state that outside of manufacturing and selling the product the forwarder should be able and willing to do any of these functions. Expect this from your forwarder and rely on his/her performance. Include him in your ideas and needs. Invite him to participate in your meetings with other partners. He is a vital part of your international business and can and should help you tremendously. I'm proud to say that Page International is the largest forwarder for one of the top 5 exporters in the U.S. , a company that undoubtedly must be doing something right to attain that ranking. You would think that the need for them to partner so close to a freight forwarder would be little if at all, but yet they and their customers overseas are quick to say that the working relationship between our two companies contributes to their overall success. They come to us for recommendations, advice, expertise, etc and frequents our web-site where they can pull up historical and managerial reports as well as trace & track all of their shipments 24/7.

The freight forwarder, however, is not the only partner you need. I remember the time my customer chose to move his business to Charleston back in the 80's due to some problems in Savannah. When the GPA Executive Director George Nichols learned of this, he pulled together a team consisting of his own staff, the stevedore and the ILA union officials and challenged them to jointly come up with a way that would bring that business back to Savannah. The GPA couldn't have done it by themselves, it took concessions and sacrifices from all the parties, but in the end what they sacrificed was little compared to what they gain. Perhaps this needs to be done regarding other issues. An example may be the 7 day rule. While the GPA may have a valid reason for this ruling, perhaps there is another way and if the members of this organization could work together and with the GPA and other parties of interest, perhaps collectively an alternative solution can be found. Maybe not, but I'm sure one won't be, however, without working together.

This is the kind of teamwork I believe we also need with the steamship lines in the area of freight rates and space allocations. To begin, I believe we each have to decide with whom we want to partner and show them the same respect we demand from them. We have to get back to contracts having substance and being equally fair to all parties. A one sided contract is a failure from the signing. I believe carriers, other than due to an Act of God or unforeseen increase in fuel, should be able to quote and stand by their numbers for the duration of the contract or else walk away from it at the start. As an NVOCC, we at Page were invited a couple of years ago to bid on a 3yr contract where the condition was based strictly on bottom line with no allowance for any future increases, not even in bunker. I explained to the exporter that we don't know what the cost of fuel will be at the pumps next week let alone the cost of bunker for the next 3 years, but it was reiterated that that was the condition. We could have done like many of the carriers do today and enter our bid at the rate applicable that day and when the higher fuel prices increased our costs we would simply increase our rates or decline to take

the bookings. At least we would have gotten some shipments in the beginning and who knows, it may have lasted the entire contract period. But we had too much respect for this customer and too much ethics in our own operations to work in this manner so we opted to not lock in and thus was not awarded the contract. That's okay! At least we did not lose our shirts as many carriers are claiming they did in 2009. I am told that NYK lost more than \$300 million and Maersk lost more than a billion.

While we can't expect others on the team to lose money, at the same time, we can and must expect them to be as efficient as possible. We have to get back to delivering professionalism in our own companies and demanding the same from others. We have all experienced the nightmare of getting documents entered correctly and processed by the carriers in a timely manner. This has forced many companies like Page to connect electronically with the carriers directly or through either GT-Nexus or Intra in order to minimize the errors in data entry. I believe that our industry is going to require more of this electronic connectivity as no one can afford to continue the high cost of labor needed to do and redo what the computer can do correctly the first time.

Neither can we tolerate mediocre work and justify it by saying "We all make mistakes". Let those who do make mistakes pay for it. At Page, we believe there are 2 reasons for errors, 1) Lack of training and 2) Lack of pride. We, as a company, have the responsibility to our clients and to our employees of providing the proper training. Pride, however, can only originate within the individuals. We tell our supervisors and managers to work closely with the individuals assessing their abilities daily. We try to help them, train them, motivate them, but in the end we have to recognize when the attempts are in vain and move on to a more productive staff. We will not tolerate incompetence for incompetence breeds excess costs.

I believe we also have to stop the over bookings made by carriers just because some companies do not deliver cargo as booked. This is killing the legitimate bookings as it causes the splits and rolls both of which are associated with unnecessary costs. Let those who cancel or decrease bookings pay a penalty. This will separate the real exporter from the wannabe's and we all know the shippers of clay are real exporters and have been for my entire career. I have seen companies, both shippers and forwarders, in the past change documents after their shipment has sailed. Many have now improved on their on-time presentation of documents simply because they do not want to pay the penalty assessed for changes. I believe this could work for the bookings cancelled, as well.

At the same time, if the carriers accept a booking and fail to honor it, there should be some retribution to the shipper and when they confirm cargo on board only to later advise that it did not load, a change fee should be paid by them, as well. They must insist that the information passed on to them by the stevedore and/or terminal is accurate or stand for the associated penalty. They have to know that the shipper's and forwarders' time to redo documents also has a price tied to it. They cannot expect the shipper/forwarder to pay for errors and not hold themselves accountable in the same light.

Finally, partners should pay each other timely! Too much time and effort is being applied to dunning one another. Credit has a price and that price is built into the contract or booking. To not honor that agreement is not only showing disrespect, but is also costly as it is a form of extended credit for which

the creditor has not granted and should be compensated for. Why is this industry any different from others in that regard? I'm sure if we all received our money on time the cost of doing business would decrease substantially. Those who do not have the cash flow to honor the payment agreement should negotiate a line of credit with their banker who is in the business of loaning money. Carriers and forwarders are not in that business. I know some companies choose to have their freight bills paid by a bank through a match pay system. They feel like this is the most secure and accurate way of payment. However, I can tell you first hand the nightmares associated with doing just that. First of all there is a cost associated with each transaction. Banks will not do this for free. Secondly, the banks have to be told in detail what to pay and vendors have to send in bills exactly as it is set up in the bank's system or else there is no match, causing delays. Carriers will spend unnecessary time dunning the bank and the shipper for something that "slipped through the cracks" in the bank's computer systems and oftentimes will hold up the release of the next shipments until the matter is resolved and payment received.

While I do believe extended credit is a bank's job and not the forwarder's, I believe the opposite when it comes to freight payments. A forwarder has to know and approve freight charges in order to bill the carrier for his correct brokerage so he should be able to accurately bill the client weekly and pay the carriers within the credit period. I know many shippers do not like paying through their forwarder simply because in doing so, it does not relieve them of their liability to the carriers and if the forwarder fails to forward that payment on they could be forced to pay the full amount a second time. However, the same situation holds true if the bank does not pay. In these cases it could be taken that there is a lack of trust in their forwarder to properly manage the freight payments, but full trust in a bank to do so. I say if you cannot trust your forwarder, you do not have the close working relationship you need and you may need to look elsewhere not only for payment disbursements, but for all other fiduciary duties and functions, as well.

At Page we at, no additional fee, invoice some of our customers via e-mail weekly and receive their payments through ACH. We post on our website under password protected logons the date freight is due, date invoiced by us, date money is received by us, date we paid the carrier & check number, and the date it cleared our bank, again at no additional charge to our clients. At any given time, the accounting arm of our client can monitor the invoice and payment process. If he sees anything not right, he can question and/or stop the process at any time. However, I'm happy to say that our clients and the carriers are all very happy with the way timely payments are made and received, and in remitting only one payment to us instead of one to each carrier, our clients save money not only in reduced checks and bank fees, but in the staff's man hours, as well.

I know there are those who will say, "This all sounds good, but it's not practical because there are too many reasons not mentioned and they may be right. Keep in mind I started out saying I cannot run your business. I do not have the answers. I don't think any one person does. These are just some thoughts that have worked in the past. Like you, I, too, am looking for answers. I do know this, though. Nothing will happen until we make it happen so we'd best get started. We are blessed with intelligence and ingenuity but it seems that in recent years we've all been so caught up in day to day work that we have failed to use them wisely.

Thank you for your time today and Good Luck to all of you.

Bullet points

**PARTNERSHIP**

**TEAMWORK**

**RESPECT**

**CONTRACTS**

**SUBSTANCE**

**ERRORS**

**PENALTIES**

**OVERBOOKINGS**

**CANCELLATIONS**

**PENALTIES**

**FREIGHT PAYMENTS**

# BANK PAY VS FORWARDER PAY