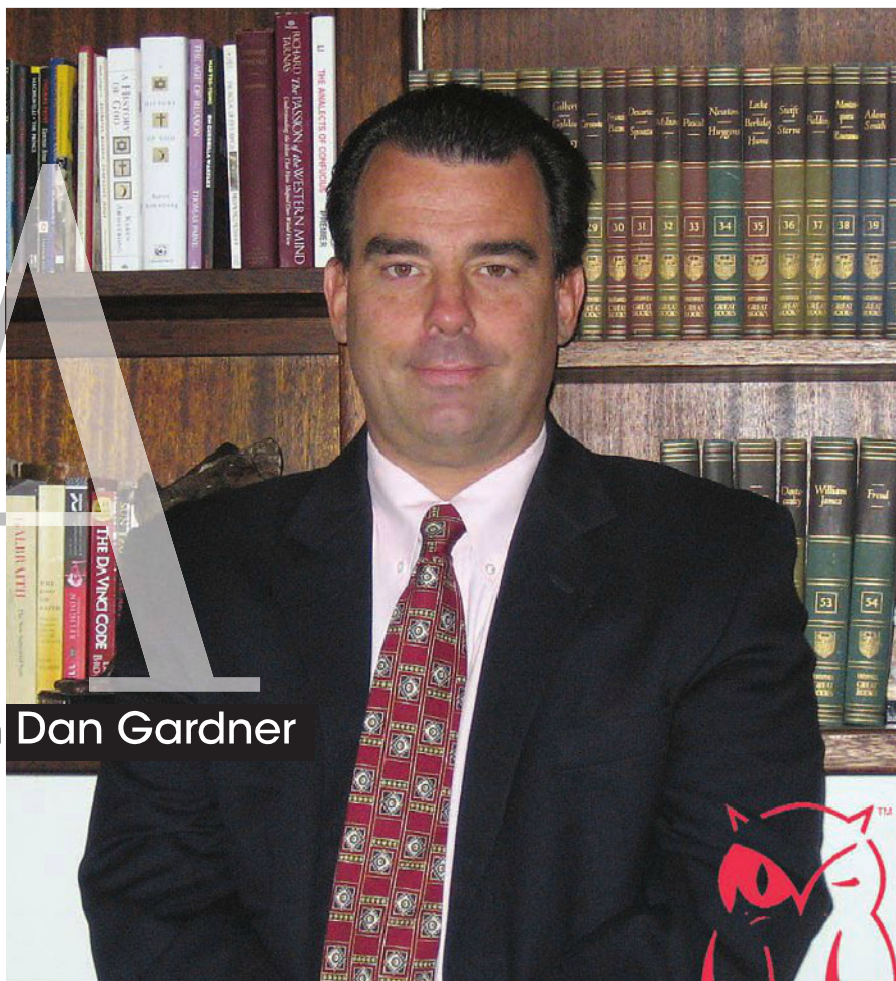


Q+A

By Stephanie Nall

with Dan Gardner



WORLDWIDE REFRIGERATED TRADE is expected to grow at an unexciting but steady 3 percent annually for the next few years, but Ocean World Lines is thinking much bigger: The non-vessel-operating common carrier wants to double its refrigerated export business in just five years.

Dan Gardner, who became OWL's chief executive in January, says that goal is ambitious but within reach.

OWL's objective is counter to industry trends; many NVOs and freight forwarders are doing less refrigerated business because of challenges in the sector.

The company received a prestigious accolade earlier this year when it was one of 27 U.S. companies and the only NVO to receive the President's "E" Award for outstanding contribution to U.S. exports.

The Commerce Department says its criteria for the award is four years of successive export growth, accompanied by identifiable results of programs or activities contributing to export expansion.

Cool Cargoes spoke with Gardner about the reefer plans of the NVO, which is part of Pacer International and accounts for about 20 percent of the overall company's revenue.

CC: Many NVOs have stopped doing

Ocean World Lines



OWL GOES TWICE AS COLD

CEO Dan Gardner discusses the NVO's goal to double reefer exports in five years

significant amounts of reefer traffic. What is OWL's plan for the sector?

DG: We do a fair amount of reefer, and as a part of our strategic initiatives, we want to increase that. I joined the company in January and had some goals to increase that business, but it didn't

start with me. There was a vibrant business already there. OWL has a long-term history of handling poultry, apples and other food items. As a company, there is a lot of historical expertise and technical knowledge in getting equipment, having operational contacts with the steamship lines, and other things you have to know.

We're talking about doubling our reefer and food business in exports. That's not a situation where you want to do it overnight because it is a complex sector, but we have a lot of people here who know the business well.

CC: *Is finding equipment one of the challenges of reefer exports?*

DG: Yes, it is definitely harder to get reefer boxes, depending of course on where you are. It's a function of the number of import boxes coming in. If there are fewer imports, finding a box can be more difficult. And the steamship lines understandably, and I do mean understandably, want to keep their boxes on the coasts, next to the ports. It's expensive equipment, and they want quick turns.

Paradoxically, in the Midwest, it's harder to get equipment, but it is where a lot of the food products that could be exported are grown or produced.

The opportunity to export right now is bright for a lot of companies, so I think there will be an increased use of intermodal and a greater utilization of the containers. I think everyone wants to see increased and better coordination between inbound and outbound cargo.

But that is much harder with reefer because in North America reefer traffic is predominately export traffic. And as far as solving natural geographical challenges such as having the Midwest in the middle of the country, I don't think it will happen soon. Some bigger companies handle imports as well as exports, but that isn't the norm.

CC: *Because many steamship lines have stopped providing equipment and service in many areas in the middle of the country, some exporters are increasing their use of domestic containers and intermodal shipments instead of just relying on truckload or carload options to reach the ports. Is that a part of the business OWL wants to enter?*

DG: When you are talking about the cold chain, we deal in full container only. We don't do reefer LCL, and we don't transload.

There is a basic rule in any freight

movement whether dry or reefer: Any time goods or information changes hands, the greater the possibility of issues and problems arising. That's especially true when you are talking about reefer because of the risk of compromising the cold chain.

CC: *Besides finding equipment and slots on vessels, what other services are customers requesting now?*

DG: One of the ways we try to help our customers is to create visibility into the supply chain. Companies need to balance needs with the desire to utilize everything efficiently and keep inventory levels low.

WHEN YOU ARE TALKING ABOUT THE COLD CHAIN, WE DEAL IN FULL CONTAINER ONLY.

It's a balancing act. They don't want too much inventory, but they do need the right thing at the right place at the right time. That equation intensifies when the goods are perishable.

If you own a fast food restaurant in India, you don't want to have too many pickles and not enough cooler space to store them, but you also don't want to run out of pickles.

One of our strengths is that we have been telling our customers about their own companies. Using our records, we can augment their internal planning and help them order efficiently. We know when they need items, how much of it and where. That helps them plan, and it helps us plan. We're using our systems to not only track today, but to use what we know about today and yesterday to plan a better tomorrow.

CC: *Are you also targeting reefer import business?*

DG: Right now, we are predominantly export, not because there aren't goods coming in, but imports are a different ballgame. You use different

expertise in exports than import.

Certainly, there is potential for adding reefer imports, but it's not something we'll do in the next two or three years.

CC: *Why do most NVOs and freight forwarders avoid the reefer market?*

DG: There is risk of liability inherent in the cold chain, and some companies try to avoid risk. Another reason companies shy away is that oftentimes, steamship lines think of reefer as a base cargo and don't want to work with NVOs or freight forwarders.

We have contracts with several dozen carriers, but we do reefer business with a maximum of six or eight carriers. We like to work with carriers that specialize in reefer that have the equipment and the expertise to do it well and that have attractive rate structures.

CC: *What is the forecast for reefer exports?*

DG: The weak dollar is propelling exports right now. Needless to say, in the cold chain, we see a huge upside for export growth. We think the growth will remain consistent with our overall goal for company growth.

Of course, this is contingent on the continued acceptance of commodities by all countries and a growing participation in the WTO, which can reduce trade wars. To the extent trade is allowed to grow with the framework of the WTO, we think there is great potential. If U.S. producers are allowed to sell to major markets, we know we can double, if not triple, the business in five years.

CC: *How will you increase the business?*

DG: We'll use plenty of elbow grease, but apply it in the right way. We conduct research on commodities and trade flows and identify the major players in those markets and make a determination on what commodities and trade lanes we should try to enter. Then we contact the companies involved and work hard. **cc**

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