Moving right along

Tomorrow, the big push?

By Theodore Prince

As professional football teams conclude their pre-season camps and prepare for the regular season, fans may recall Vince Lombardi's exhortation to his team — "Tomorrow we start the big push."

The months of September and October have traditionally constituted the peak months for transportation demand in this country. There is nothing to indicate that the upcoming two months will produce anything less than their traditional extremes. But the year to date has already been a major undertaking. What more can we hope for, notwithstanding Mr. Lombardi's words, during the rest of 1998?

Motor carriers have been very busy. Customers who have diverted traffic from rail seem very pleased with the results and generally satisfied with the cost/service trade-off. Fuel prices have remained low. However, it appears the driver shortage will be a long-term problem. The companies that are willing to pay — and retain — drivers have done well by having the capacity to satisfy customer demand. As the retail season increases in its crescendo to Christmas, motor-carrier demand can be expected to increase as well.

Railroads have had quite a year. Union Pacific has overcome the service emergency in Texas and seeks to regain system equilibrium by Labor Day. UP will now need to regain customer confidence — and volume — in order to regain positive financial momentum. It may find this a difficult task.

Many customers feel personally betrayed by the meltdown of UP, and the railroad may find that traffic return is much slower than after previous service debacles. Burlington Northern Santa Fe has attracted significant traffic volumes from disgruntled UP customers. BNSF has been astute in its negotiations and aggressive in its reach. This peak season will certainly test its abilities.

The Eastern railroads will now come under a great deal of scrutiny. Conrail has ceased to exist in its prior form and is now controlled by its new owners, CSX and Norfolk Southern. Its service has begun to wobble as employees contemplate their future. NS and CSX have still not agreed on a split date. There are rumors the day will be Feb. 14, 1999, but it may tempt fate to take a company created on April Fool's Day and split it on a date remembered for the 1929 gangland massacre in the nation's railroad center.

Steamship lines have been experiencing the best of times and the worst of times. Import volume is powerful, buoyed by a strong U.S. dollar and seemingly insatiable consumer demand. The trans-Pacific carriers, which in April were worried about holding on to a $300 rate, now realize they could have had much more. They are talking about a $1,000 increase next year.

In anticipation of the Ocean Shipping Reform Act passing Congress, some lines have forgone any pretense of common carriage. Low-rated business is openly ignored in favor of more profitable cargo. Some customers are agreeing to rate increases in order to ensure that their business will move.

It will be interesting to see if the strong import market holds. Since imports are up more than retail sales, it is possible that consumers could see some very attractive sales — even before Christmas.

Export cargo is the opposite of import. The rest of the world is buying very little, and what they are purchasing is not from the United States. The strong dollar has priced U.S. goods out of the global market.

Overall, combined import and export loaded volume is only slightly higher than last year. Ironically, if export traffic were up, most marine terminals would be unable to accommodate the volume.

This traffic imbalance has put a severe financial strain on steampship lines in the container business. There are no profitable trades. The trans-Atlantic and South America trades have succumbed to dual problems of traffic balance and capacity increase. Outbound rates have tumbled, and inbound rates have improved only marginally.

Some lines seem to have adopted a wait-and-see strategy, while others seem to be in a panic, prompting rumors about their long-term viability. Whether we will see a spectacular business failure like the end of United States Lines — with cargo and vessels stranded around the world — remains to be seen.

In the meantime, steamship lines are fighting port congestion and rail problems as they try to move their intermodal cargo inland. Furthermore, the International Longshore and Warehouse Union is one step away from implosion. The rank-and-file refuses to accept the leadership, and management cannot rely on the union to perform according to the contract.

The final freight frontier, air, has also had its problems. The same macroeconomic imbalance affecting ocean carriers has affected air cargo, too. However, there has been some reduction in capacity. Asian airlines have cut back on service due to decreased passenger demand. Since much cargo moves on passenger flights, this cutback has caused freight to back up.

In addition, problems at Chep Lap Kok, the new airport in Hong Kong, have caused a service disruption worthy of southern California, and pilots at Northwest Airlines, one of the major trans-Pacific carriers, are now on strike.

It's been summertime, and the living has been anything but easy. Let's hope we can get through the peak season.

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