Keeping it simple

The passage of the Ocean Shipping Reform Act (OSRA) finally brings the business of purchasing ocean shipping transportation into modern times. Agreement can be reached between the buyer and seller without prior governmental review and approval. And the entire transaction is now confidential. This is how most commercial purchasing transactions are handled around the world.

Ocean shipping has been content to practice original, basic industry processes. And this "one size fits all" technique has been beloved to an industry comfortable with its tradition. A senior manager who entered the industry decades ago at an entry-level clerical position can be fairly certain he understands day-to-day business procedures that, although they may now be mechanized, remain basically unchanged.

Now all this may be altered. The circumstances under which business is conducted are now as negotiable as price and service standards.

For example, cash payment of ocean freight charges, along with original bill-of-lading surrender at time of cargo delivery, have been longstanding practices in this country for import freight.

But a contract signed next month may eliminate the bill of lading, substitute contractual liability language and allow for credit. Even worse, every contract signed may have unique contractual terms.

This will put a great burden on the back-room operations of steamship lines. The trend in our industry has been to have operational services provided by a few — sometimes as few as one — centralized service centers.

Lessons that could be learned here from similar industries have been repeatedly ignored by steamship lines — increasing their own peril. Right now, a good lesson is available by taking a look at the nation's Class I railroads.

Railroads are asset-based, network-operating companies that transitioned through industry deregulation with mergers and massive downsizing. This closely resembles current trends in the liner shipping industry. (Railroads, too, developed centralized operations and customer service centers.)

Recent customer reaction would tend to indicate that railroad operations have reached the point of diminishing returns. Last year, many railroad customers expressed a desire for more local customer service — allowing for more personalized service.

A recent railroad industry meeting brought to light the clear conflict in priorities between minimizing cost and maximizing service. Railroads wanted to showcase their technology, especially Internet-based solutions. Customers sought effective solutions that were backed by a real voice.

Railroads have been forced to address their cultural legacy. As a result of properties becoming too large to manage from a single point, centralized decision-making — accompanied by rampant micromanagement — is giving way to decentralized management. Union Pacific, for example, has become in effect three railroads, and they are establishing regional dispatching centers with Burlington Northern Santa Fe.

This trend raises some real issues for steamship lines, and the railroads have business advantages steamship lines do not enjoy. For instance, railroad technology is fairly sophisticated, yet even with this capability, railroad customers are not satisfied with only electronic solutions.

Railroad employees, as a whole, more job experience. Many railroad service-center personnel have previously worked in the actual operational area. Training is more thorough and employee retention is fairly high. Many railroad employees have relocated to follow their work. Unions are an integral part of the railroad work force and railroad management has recognized the need to retain embedded industry experience they offer.

Many steamship lines are having a difficult time maintaining consistently high quality in their centers. Turnover is great, due to a confluence of several factors. Wages are low, working conditions are difficult and the culture is often oppressive. Staffing levels, in some cases, seem driven by quantitative predetermed measurements rather than by qualitative customer requirements. It seems reasonable to wonder how steamship lines will function in the post-OSRA environment.

Ironically, contractual freedom also offers the basis for solution. Future negotiations should encompass service concerns as well as price matters.

Service entails more than just equipment, vessel space and transit, and should include issues surrounding customer support and information requirements. (Failure to perform proper and timely tracing, or delayed bill-of-lading release, can now be treated with the same sanction as a load being rolled or a transshipment being missed.)

Such actions will certainly serve to further stress service centers. But steamship lines have an opportunity here to learn from mistakes of others to improve their product. Ready or not, here OSRA comes.

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