Don’t expect less transport trauma in 2000

1999 was traumatic to several segments of our industry. This year looks to be no different.

Last year was one of massive change to most ocean-shipping companies. The Ocean Shipping Reform Act took effect May 1.

The subsequent introduction of confidential contracts complemented the elimination of regulatory rate review that had been granted to the industry by the Shipping Act of 1984.

The two-step approach to ocean-shipping deregulation was significant. Conferences disappeared, and steamship lines tried to replace them with the voluntary guidelines of discussion agreements.

Debate raged in the industry as to who benefited most from the new legislation. While large shippers seemed to be clear winners, the advantages to smaller shippers and ocean-transportation intermediaries were still hard to gauge at year-end.

For most of 1999, large import volumes enabled lines to impose hefty rate increases, which were offset by low export volumes and correspondingly low export rates.

In 2000, lines are challenged to adhere to rate escalation without resorting to anti-competitive behavior — perceived or otherwise. Congressional review of antitrust immunity will certainly be in the public awareness.

Steamship-line merger activity has continued unabated. Maersk SeaLand is such a behemoth that subsequent mergers are practically inevitable.

While such concentration may or may not negatively affect shippers, ports are certainly concerned.

The Atlantic Coast merger of the new Maersk and SeaLand centers last year demonstrated that ports will get aggressive to attract — or retain — their tenants. All this while these same ports must face the problem of paying for dredging and other promised improvements.

Meanwhile, the railroad industry remains consumed with merger issues. Union Pacific put its Southern Pacific merger problems behind it, CSX and Norfolk Southern have variously struggled to absorb Conrail.

Canadian National, which had quietly integrated Illinois Central into its operation, has agreed to merge with Burlington Northern Santa Fe to form North American Railways.

Clearly the latest merger plan will be a main attraction in 2000. Surrounding this transaction will be the unsettled rules of the game.

In 1999, Congress once again was unable to pass a Surface Transportation Board reauthorization measure. This was not for lack of trying, nor for a shortage of alternatives. A range of legislation — it ran the gamut from shipper-friendly to railroad-friendly — was introduced.

In fact, for much of 1999, it looked as if STB Chairman Linda Morgan would be sacrificed on the altar of shipper-railroad acrimony. Her confirmation passed during the brief period of euphoria that existed when a deal appeared to have been reached between railroads and labor on "cram-down" provisions concerning labor contracts and mergers. Shortly thereafter, both sides came to the harsh realization that there was no real deal.

Morgan's recent comments on the process facing the latest merger proposal may indicate a change in philosophy at the STB that could affect merger review. And STB reauthorization promises noteworthy action.

Meanwhile, the railroads are attempting to reach agreement with various industry organizations, such as the National Mining Association, to prevent their lobbying for major legislative change.

1999 was another strong year for trucking demand. Economic growth, along with the requirement of time-definite delivery and increased supply chain management, has increased the need for truckload and less-than-truckload capacity.

The shortage of qualified drivers has been an ongoing issue, and motor-carrier safety remains a subject of public focus.

Intermodal growth resumed and set a new annual volume record in 1999, but did not reach the robust growth levels of previous years.

There will be great interest in whether or not CSX and NS will regain diverted business, and obtain the north-south business that featured so prominently in their plans for the former Conrail territory. Consolidation and financial re-engineering of industry participants is expected to continue the transformation of the intermodal commercial food chain.

During all this, the transportation industry will be monitoring productivity carefully. The economy — and the demand for transportation services — remains strong. But additional investment in capacity will be challenging.

Carriers will be looking for improved productivity. Ed Emmett and the National Industrial Transportation League have defined productivity to be a key issue for 2000. Now that transportation is deregulated, productivity improvement is the next natural priority.

Productivity, however, may become a flash point between railroads and trucks. The NITL has called for a constructive dialogue between the modes so that productivity improvements for trucks (in the form of size and weight limitations) benefit railroads as well.

The recent flap between the railroad and trucking industry organizations over the transport of sport utility vehicles could be the beginning of an acrimonious publicity war.

The NITL's vision recognizes an important truth: Regardless of how sophisticated logistics and supply-chain management becomes, there still must be strong performance by underlying transportation carriers.

The requirement for e-commerce is the same. Ultimately, the goods need to be delivered. This year will most likely see a continued awareness of carrier capabilities and the need for them to do even more.

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