Peak positioning

The concept of the import “peak season” is a quaint holdover from past years when there were clear cycles to the shipping business. Today, containerized imports through West Coast ports run approximately 15-20% higher than during the same period last year — and the rate of growth appears to be accelerating.

The peak season is a reminder of the global transportation network, the success of which is directly affected by its weakest point. When evaluating such a system, we must do so with economics, terminals, labor, railroad and trucking all in mind.

Economics is the force that drives transportation. Today’s robust U.S. economy has created considerable consumer demand for imported products. The strong dollar makes it cheap to import products but more difficult for U.S. exports to compete in the global market.

One result is an inbound-load and outbound-empty scenario for most steamship line equipment. This is probably good news for marine terminals, as export loads present a greater challenge to terminals than do imports. Loading empties back to the vessel is easy. But if export volumes increase during peak season, we can expect serious problems at terminals.

At the same time, we also see the transformation of the supply chain into a demand chain. Market power is shifting away from those who manufacture to those who buy. Control over most of the import cargo has long transferred to retail giants, so fewer customers are controlling more cargo. If steamship lines and terminals can coordinate such large volumes, an opportunity for improved efficiency exists. For example, only imports scheduled for immediate pickup need pre-mounting on chassis wheels. The remainder can be stacked and mounted as required over time. This process requires a sophisticated, and currently underutilized, integration of information from a wide variety of sources.

Marine terminal and labor issues are often intertwined. Terminal productivity and efficiency depend on labor. Some terminals met this challenge by throwing money at it. This will probably continue. But, in the event of labor actions, serious service disruptions can be expected.

The transportation system is so capacity-constrained that even a brief disruption can be catastrophic. Congestion feeds on itself, so it is not uncommon for an eight-hour problem to take days — or weeks — to correct. For example, new, larger vessels have begun to be deployed. As vessel size increases, so does terminal capacity demand. As 6,000-TEU vessels replace 3,000- and 4,000-TEU vessels, terminals will be hard-pressed to manage the volume surges. Pressure will be on for port infrastructure network to remain fluid, to ensure a smooth flow of cargo arriving and departing.

Railroads matter a lot here. Although the national intermodal flatcar fleet has been increased, poor slot utilization can quickly consume new investment. Car utilization is a factor of balance, velocity and slot utilization. While the Alameda Corridor remains on schedule for 2002 implementation, lines that built on-dock railyards in expectation of access to it will struggle getting trains in and out of the port until then. As is the case with airports which schedule more flights during peak periods than they can manage, some carriers must wait.

The western railroads have proclaimed that they are ready for the peak, and eastern railroads have made the same claim. But some industry observers still wonder. Railroad consolidation has reached the delicate point where a problem with one railroad could quickly bring down the entire network.

Terminals can remain fluid only with efficient trucking. Some harbor trucking companies have warned of delays resulting from peak volume and driver shortages. A debate over longer working hours seems inevitable. Marine terminals and customers that insist on operating daylight-only operations will probably have trouble securing enough drayage capacity during the peak periods.

Yet the obstacles to 24-hour operations still exist. Attracting qualified labor at a cost-effective rate is almost impossible for a 24-hour terminal. And while many customers will receive cargo at night, some still will not. This may not be the customer’s choice, but may simply be the result of local zoning and noise restrictions.

Local warehouses and distribution centers will be hard-pressed to supply sufficient capacity for devanning and consolidation. This is another example of the complicated network. Lack of sufficient outbound truck and intermodal capacity prevents outbound cargo from making room for inbound — thus exacerbating the problems at terminals and elsewhere throughout the network.

Benjamin Franklin observed that “a little neglect may breed great mischief," tracing “for want of a nail” the loss of much greater things: a shoe, a horse and a rider. As we approach the peak season, we are all mindful of the careful balance of elements in our intermodal network. We have made impressive advances in capacity, yet we still must concentrate on improving the utilization what we have.

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