Intermodal state of the union

Next week is "Beach Week" for the intermodal industry. The Intermodal Association of North America will hold its annual meeting in Fort Lauderdale. This event is significant because it will be held in conjunction with the annual meetings of the National Industrial Transportation League and the Transportation Intermediaries Association.

Such a combined meeting presents a good step. It saves time and money and allows groups with overlapping needs to discuss common areas of concern. For those who can resist the sun, sand and golf, the exhibition and program will offer an array of compelling items. In fact, the program may be too good. Several time slots will be filled with simultaneous programs, all worthwhile.

This comprehensive conference gives us an occasion to review the state of intermodal in America. By many measurements, intermodal would seem to be improving. Rail intermodal volume is in a period of almost uninterrupted growth. Maritime intermodal volume also shows strength.

Yet rail intermodal still constitutes a small percentage of inter-city freight traffic. Truck is still the preferred method for transportation of goods. Two reasons are often cited. Today's delivery windows, which are measured in minutes, cannot be accommodated by rail intermodal, which gauges reliability in hours and days. Intermodal also requires a fair distance (500 to 750 miles) before costs can be amortized to offer price that competes with trucks.

And we are seeing little innovation to counter this situation. Equipment dimensions are increasing — 53-foot trailers and containers have become fairly common. Additionally, terminals have grown and are being designed with intermodal in mind, rather than being converted.

Mergers have reduced the number of steamship lines. Financial re-engineering has pervaded the industry, as intermodal marketing companies, equipment lessors and drayage firms continue to combine. The number of railroads has also drastically shrunk, all in a time when they are struggling to stabilize service.

Meanwhile, the intermodal industry has experienced a complete turnover. The entrepreneurial generation that created the intermodal system has mostly departed. While the skill sets they employed may no longer be applicable, many industry observers speculate that newcomers to the business have failed to learn the lessons of the past.

Take, for example, intermodal marketing companies. Technocrats of publicly traded corporations have replaced flamboyant wheeler-dealers of individual proprietorships. At the same time, many feel that railroad consolidations have obviated the need for intermediaries.

One rail executive recently decried that the intermodal industry remained largely reactive. His observation was that intermodal agencies galvanize at times of crisis, but still lack proactive management.

There is merit to this position. Intermodal progress historically was accomplished by the growth of existing customers' business. This is especially true in the long-distance, service-tolerant, price-demanding international segment. (Railroad intermodal growth would probably be negative if steamship business was removed.)

There have been relative successes in the past, but no recent blockbusters. Premium trains for customers like United Parcel Service and the U.S. Postal Service debuted 30 years ago. Plan III perishables began 20 years ago, and doublestack arrived over 15 years ago — with on-track following shortly thereafter. The Triple Crown Road cargo network is over a decade old and the development of the groundbreaking Quantum deal between J.B. Hunt and Santa Fe is almost as old. Antrak's attempt to enter the mail and express service (calling it freight might upset the large railroads) provides an interesting possibility.

But as the world moves into Internet time, and supply chains are tightening, customers are requiring faster — and more reliable — transit times. UPS is a noteworthy example of past intermodal success being challenged by new requirements. The transit time of its base ground product no longer satisfies many customers, and even the reliability could stand improvement. (When the railroads talk about UPS loads handled without mishap, these are UPS internal measurements. A train can be late but UPS can still make their hub sort.) Fedex remains a holy grail of railroad intermodal, yet even the best railroads are apparently unable to meet their basic service levels.

Opportunities exist for intermodal to rise to the challenge of on-time service. Fuel prices may fluctuate, but sooner or later hours of service regulations for truckers will become law and dramatically impact trucker availability. Highway congestion increases faster than the ability to build new roads. A significant opportunity exists for intermodal to advance and overtake at least part of this market if they can find a way to fulfill customer requirements.

Next week's discussions are full of promise. The combined expertise may just give rise to discussions which pave the way to solutions that are increasingly intermodal.

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