Pursuing productivity

Productivity represents a critical component of our economy. Federal Reserve Chairman Alan Greenspan has constantly cited productivity as helpful in holding inflation in check while the economy huddles past obstacles that have halted previous periods of growth. In years past, Greenspan has even pointed to the productivity benefits that deregulating transportation sectors has brought to the overall economy.

Transportation insiders know that productivity builds success. But productivity is becoming an increasingly internally focused effort. Too often companies keep their eye on the doughnut — and not on the hole.

Productivity increasingly seems to be a perceived zero-sum system. In other words, my productivity gain is your loss. When just-in-time delivery first started, in spite of its great press, it was not the innovation it promised to be. In fact, JIT (just-in-time) simply transferred the inventory carrying cost from the auto manufacturer to the supplier. JIT was actually JIC (just-in-case) The customers demanding split-second precision were the same ones negotiating extended storage free time. For example, certain automobile manufacturers insisted on special aluminum containers long after they were determined to show no benefit. Such specific requirements detracted from supply chain efficiency.

One of the more credible voices for productivity improvement has been Ed Emmett, president of the National Industrial Transportation League. Last year, Emmett framed his argument for productivity improvement by saying that transportation exists only to serve customers, and that "we're in the service industry."

According to Emmett, the future of transportation productivity lies with intermodalism. As international trade moves on fewer global carriers, and on larger ships, which call on fewer ports, ocean-rail movement is the only alternative for handling such a system.

It is noteworthy that the ports of Los Angeles and Long Beach have just implemented a new demurrage system that was developed as an incentive for shippers to quickly move their containers out of the port.

Any discussion of transportation productivity must include the cats and dogs of the industry — truck and rail. Trucks have traditionally improved productivity by increasing trailer size and maximum allowed weight. Ten years ago, leading up to the passage of the Intermodal Surface Transportation Efficiency Act of 1991, railroads effectively lobbied Congress to prevent the national introduction of longer combination vehicles. The perceived fear tactics (i.e., "killer trucks" coming to a highway near you) by groups such as the Committee for Safe and Reliable Highways (CRASH) eroded inter-industry harmony. This issue served as a cornerstone for the modern truck-rail industry debate. Railroad industry service problems gave truckers an opportunity to lobby for modification. An increasing shortage of qualified truck drivers has contributed to lively dialogue about the need for using these scarce resources more effectively.

Emmett has suggested that the addition of another trailer axle would enable trucks to haul more weight without further damage to the highway network. Fewer drivers could carry more freight. The economy would continue to grow with no increase to highway congestion. Emmett feels that safety would improve because of fewer trucks. (In a car-truck crash, the car driver is in big trouble whether the trailer weighs 80,000 or 90,000 pounds.)

The railroad industry received these suggestions with skepticism. Just to move the discussion forward, Emmett suggested that the increased-weight trailers be limited to intermodal service, and still that was not enough. The inherent mistrust on this issue killed the dialogue.

Proposed changes to truck driver hours of service regulations also affect productivity, as the industry seeks innovative solutions to its problems. One area which has come under increased scrutiny is customer-waiting time. A recent study by the Truckload Carriers Association revealed that many drivers spend over half their working time waiting at customer docks. Proposed hours-of-service regulations would not distinguish between working time spent driving and not driving. As Jerry Moye, president and CEO of Swift Transportation remarked, "If we wanted a truck sitting around, we would have gotten into the truck dealership business."

The trucking industry was very specific — and dramatic — about the costs of the proposed hours-of-service rules. One truckload carrier estimated the additional cost to his company to be $250 million annually. The government responded too. Julie Cirillo, acting chief safety officer of the Federal Motor Carrier Safety Administration, pointed out the trucking industry's inconsistent position.

"I have great confidence that the industry could coalesce around this issue of waiting time as they have coalesced around hours of service. No one seems to be focused on eliminating the existing inefficiencies."

Regardless of the political outcome, it will be time for more productivity improvements next year.

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