The road ahead

Predicting future events is impossible. But in the aftermath of Sept. 11, we must at least attempt to define the emerging priorities the transportation industry faces in our changed world.

Even before Sept. 11, the economy was troublesome. Transportation carriers traditionally have been leading indicators of economic times. They are usually the first to feel any economic impact — good or bad. The economy shrank at a revised 1.1-percent annual rate in the third quarter — the biggest contraction in gross domestic product in 10 years. Many hope for a short and mild recession. Companies have been aggressively cutting capacity, jobs, inventory and expenses, while the government rapidly applies both monetary policy (10 interest rate cuts by the Fed) and fiscal policy ($70 billion in tax cuts already approved for 2002 with further stimulus initiatives likely).

The international economy is fraught with uncertainty. The U.S. economy’s slowdown has reverberated throughout the world. The eurozone seems to sinker on recession. Economic stimulus by the euro’s central bank has not been forthcoming because inflation is not perceived to be a threat. Japan is experiencing its fourth recession in 10 years, which will probably force postponement of financial reforms promised by Prime Minister Junichiro Koizumi — and trigger further problems later. Taiwan and Singapore have followed the United States into recession and South Korea is barely hanging on to recovery. The only growth in Asia is occurring in China. Strengthened by joining the WTO, China is expected to see 7 percent growth this year. It remains to be seen whether U.S. recovery will resuscitate Asia’s growth — or simply accelerate that of China’s.

Oil prices have brought transportation carriers some unexpected good luck. After an initial price spike, oil has drastically decreased in price, as OPEC has been unable to enforce production cutbacks. Some economists, however, fear that this may be signaling impending deflation. Additionally, retail price cuts and 0-percent financing are harbingers of deflation. With industrial capacity at only 75 percent, the long-term impact of overcapacity could be severe. Many transportation carriers are struggling with the same problem of overcapacity.

The future of inventory management also worries our industry. Over the past 20 years, the logistics industry grew out of the problem of overcapacity. Transportation deregulation allowed carriers and customers to on a larger scope and scale — and response in a shorter timeframe on local trauma (i.e., a fire) or slowly developing weather (i.e., a hurricane.) It is now clear that, like all of us, the transportation industry faces in our changed world.

Our preparation for problems will largely determine our success. Two weeks before Sept. 11, the Intermodal Association of North America discussed in a seminar the preparation for — and response to — emergency situations. Most conversation centered on local trauma (i.e., a fire) or slowly developing weather (i.e., a hurricane.) It is now clear that, like all of us, the transportation industry must be much more thoughtful about contingency plans on a larger scope and scale — and response in a shorter timeframe than we have usually thought in.

The world has changed and our industry will change with it. Theodore Prince is senior vice president of marketing and sales for Optimization Alternatives Ltd. Inc.