

Landstar: An Industry and Marketplace Perspective on Intermodal Research

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I do not know if we are yet truly in an intermodal system. I know that we are not in a seamless intermodal system and that we have a long way to go, and I believe that we need to move toward greater partnership—an easy word to use and a hard one to execute.

As background, Landstar is not represented only by its 10,000 trucks and 14,000 trailers. In the last several years we have made a major move into the intermodal market both through internal development of a drayage company (the first national drayage company serving all the ports of the United States and most of Canada) as well as through an acquisition. Therefore, my perspective is not only that of a trucker but also that of one who believes that the solutions of tomorrow will be found in moving all of the freight by the most efficient provider from point of origin to point of delivery.

The challenge is not to move from rail yard to rail yard or from airport to airport or from port to port, for if you are not chasing the marketplace and you are not involving the customer, then you are missing the focus of intermodalism. Air, sea, and land transportation, according to everything you read, is getting bigger, better, faster—trains longer, ships bigger. They just recently launched the biggest container ship in the world. All those things are wonderful. I think the planning of the railroad industry is wonderful, as they move from rail yard to rail yard. But are we going to be able to increase an intermodal offering beyond its now present users? Are we going to be able to build a system that becomes truly market driven and time sensitive?

We all know that customers are finding ways to reduce inventory and have inventory in motion and moving it from origin to destination. We must, therefore, not participate in the argument of mode, but participate in the argument of inventory velocity—having things arrive where they are supposed to arrive and on time.

We have a long way to go. The majority of investment dollars that I see the modes spending have to do with their own structural problems, and that makes clear sense to me; I'm certainly biased toward Landstar. But we have to think beyond some of our natural boundaries.

First of all, can we see the port business change dramatically over the coming years? Can we really, as we think about infrastructure spending, begin to include the need to move goods from the port to their ultimate destination, or will all of our planning continue to be to get

goods on the ground at port and make sure those steamships make it out and can continue to keep to their schedules? As the ships get larger, fewer ports will be used. There will be fewer stops, which will mean more support from the trucking community.

How is that going to happen? In the port side of the business, we need to see significant changes in administrative, financial, and operational characteristics. In my view it is a most difficult business to find margin in. In every intermodal market, every intermodal application that I have seen, it is the drayman who is the link; regardless of whether it is domestic or global, the drayman is taking the cargo to the port from the origin shipper and delivering it at the end to the customer.

In the port business, what does the drayman find as he or she goes in to pick up a container? Frequently that it is overloaded. And who is held accountable to make sure an overweight container does not move? Why not ask the poor drayman to do that, also? Does it make sense, that we collectively make the drayman responsible for ensuring that shipments and cargo meet government regulations? Why is it that those in-bound containers do not already conform to the weight laws of this country? When will the ports begin to expand their hours and truly make the gates more accessible?

You can see some of the underpinnings beginning to come loose. Maybe you are aware of that very issue because of the recent strike at the Los Angeles and Long Beach ports, where the ports are open for very short periods of time; and even the time and the hours that they claim to be open, they really are not. People are not at the gates to open up in time, and they close for long extended lunch periods. There are also collection issues in terms of who is responsible for the container and the chassis and, ultimately, for the damage to any unit. Many issues must be worked on.

The railroads are doing a wonderful job of moving between the rail yards, but their major concerns focus on longer, faster, better. Is that going to allow us to expand—myself as an intermodal provider and user included—into new and more time-sensitive markets? I do not think so. We need to see greater reliance on scheduling not only so required crews show up on time, but also so the trains leave on time. And, as I said, I think the idea of frequency is essential to this.

And it is not likely that you are going to see standardization regarding containers. Whether it is road railer or an iron highway, what will develop in the short-haul market remains to be seen; but I think the success will only be based on frequency issues and improved accessibility to and from the customer.

Will the short lines be run as efficiently and effectively and keep some of the smaller communities linked by railroads? The answer remains unclear. It is a wonderful strategy and we will see if the more entrepreneurial managers of those rail systems will be successful; but the issue still surrounds the hand-off—the efficient ending and exiting in and out of the rail yards.

When I think of intermodalism, I certainly think about the airports. They do not have the historical baggage and cultural issues that exist among the other modes. Clearly, one of the things that has an impact on the ability to sit down and think and really work out real issues is the comparative histories between the railroad industry, the trucking industry, and the steamship industry and their need to all compete for relative market advantage.

In the air industry, you do see a rather efficient system, in my humble opinion. Maybe it is the sites of the major airports and the availability of good road systems into most of those airports. You see more modern facilities, you see some planning for significant movement out after the planes come in. Major companies, such as United Parcel Service and Federal Express, depend on an integrated planning process, and a true planning exchange exists between them and the people who are providing surface capabilities to them—a significant difference from the planning process of the railroads and the steamship lines.

I am a firm believer that the people who provide the assets, if they fall behind the curve of being able to run a company profitably and withdraw, will be replaced with another better-run asset provider. In the world of tomorrow there will be just a handful of companies that are asset providers and managers. We may not even use tag words such as railroads and truckers; there are going to be leasing people and all sorts of different capital providers who put

those assets on some sort of mode. Some provider is going to be very good at one mode, and any one of the modes can also be a logistics provider. We will see where the profits end up.

The same problems we have at each of the knuckles in the system is similar to the problems we have with technology. Technology does not flow seamlessly, by any stretch of the imagination, in an intermodal environment. Information can arrive electronically, but there is not a smooth transition to the ultimate provider, to the customer. Each mode has its own technology. We have technology built in separate corridors and not across modes.

I would like to also note safety. Think about simple things like lighting, availability of bathrooms and facilities, and being allowed to use them; simple things like weighing and checking equipment. You do not receive a good safety check unless you monitor it yourself. We need to become more responsible in our intermodal system and think about safety and ensure that the users of the system have a safe environment to operate in.

Finally, I am very concerned about surge capability. The concept that there is an endless supply of underutilized assets sitting around is quickly losing ground. No company that I can think of that is responsible to their shareholders keeps underutilized assets sitting around. So if we will need to fight in two major theaters at the same time, surge capability will have to be dealt with.