environment, both domestic and foreign, and including other modes, technologies, and economic change.

You might view the environment this way; this group, or my organization, controls "this" and is affected by "that." If you are affected by "that" and you don't control "that," then think of "that" as the environment. If you control "this," then "this" is something for which you can make a strategic plan. It is something about which you can do something. Otherwise, it is your environment.

The point is, you share the small common set of interests and those are what you need to concentrate on in a strategic way. What is external to those shared interests? What do we see as the threats and opportunities? What are our strengths and weaknesses? What are the strategic issues? What are the things we can do? How can we move forward? Treat this group as if it were an organization with a common mission, and remember that if each of us in our own day-to-day activities—shipper, carrier, government agency, port authority—has our own mission, then what are the things that we can do in common toward a shared mission?

The difference between strategic planning and long-range planning is that, while long-range planning shares many of the components of strategic planning, it usually assumes that we are planning for an activity or program that will continue or be carried out in the future.

Strategic planning is driven by the notion that everything is up for grabs. Should I even bother to keep making candy? The question is not my plan for expanding the market for the candy I make now, at least not as a given. If I come to that as a second consideration after I decide that I am going to stay in the candy business, fine—then address the question of how to make better candy or expand the market. But the strategic question is: should I stay in the candy-making business?

To use a public sector example, it is not "strategic" to plan future projects for highway construction in Mecklenberg County, North Carolina, but to determine whether the Department of Transportation ought to do something other than build roads or run the transit system in response to the basic mission of our department, which is to move people and goods.

I leave you each with two questions:

First:
MARAD, what do you want?
Shippers, what do you want?
Carriers, what do you want?
Port authorities, states, others—what do you want?
Second:
What are your common interests?

## WHAT IS THE MARITIME INDUSTRY; HOW IS IT EVOLVING; AND WHAT DRIVES THE INTERMODAL REVOLUTION?

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Transportation has always been an important cost for any manufacturer. Today, transportation is becoming even more important in global production distribution.

The world is becoming smaller and demands more efficient freight transportation. What is the maritime industry? There are all kinds of definitions. It is a huge ocean transportation system serving all of the trade lanes throughout the world. Maritime transportation makes trade possible. As it relates to general commodities, it is an extremely capital-intensive industry.

How is it evolving? It was an industry that consisted of small, medium, and large carriers representing many nations. The industry is currently evolving into an industry characterized by larger and larger highly efficient ships that use space sharing and other rationalizing techniques to take advantage of economies of scale in order to reduce their capital risk. Today, the fastest growing segment of international transportation is in development of international/intermodal systems that traverse land masses such as the United States. Intermodalism is here but there are many problems associated with it.

Containerization, which started internationally in the mid-1960s, obviously has had a profound effect on world transportation economics. The container was successful because of its economic advantages. It saved or eliminated expensive packaging costs. People forget that they used to have to pay 20 percent of the retail price of the product just for export packaging. Containerization cut damage, eliminated pilferage, etc. But equally important, containerization has made ships more productive, and freight is loaded in considerably less time than could have been imagined 30 years ago. The container has made the movement of goods simpler as well as cheaper. The container was a maritime tool that won shippers' support because it saved money.

There is an axiom that says all major transportation advances are driven by economics. This is true. It is also true that there are strong economic factors that are today driving the intermodal revolution. Containerization developed at an alarming pace between the 1960s and the 1980s. Intermodalism only came to the forefront with the introduction of the 1984 Shipping Act.

Introduction of point-to-point rates has been a tremendous challenge to the ocean carrier. The adage applies, "be careful of what you ask for—you might get it." There are few, if any, ocean carriers that would deny that they are losing considerable dollars in the intermodal portion of their business. The only exceptions may be Sea-Land and possibly American President Lines (APL) or American President International (API). While the Shipping Act allows ocean carriers to quote point-to-point inland rates, it does not allow them to work in concert with one another to lower inland costs. The 1984 Shipping Act does allow ocean carriers to space-share, rationalize, and collude on all things except inland operations. This requires third-party involvement.

How large is this international intermodal market in the United States? The total container market in the United States is about 9 million TEUs a year—more imports than exports, although this is in the process of switching. Half of those imports and exports come from the Far East, about a quarter from Europe, and the rest from other parts of the world. Some people don't realize how much shipping in intermodal containers occurs in the United States. The president of Santa Fe said that 37 percent of their revenue comes from intermodal freight. This is a considerable amount of revenue for a major railroad. In 1990, 6 million loaded trailers moved by rail, and approximately 55 percent of the total rail trailers were containers. The trailers that were not containers contained prior or subsequent waterborne cargo that required transloading in the port areas. When truckers hear the size of this intermodal market, they are surprised and amazed.

Most carriers are having a hard time showing profit on intermodal movements. Why? Inexperience, possibly. Moving intermodal containers creates a tremendous container imbalance. Often 40 percent of the containers moving intermodally are moving empty. This is a tremendous cost factor and an issue that must be addressed. The medium and small carriers lack the kind of volume necessary to negotiate the low rates that larger carriers would get from railroads. This is a big factor. It is very hard for a medium carrier, whether it be American or foreign coming to this country, to try and get the bargain rates that CSX could supply or APL could supply.

The biggest single economic happening in the intermodal business is the double-stack trains. These trains have cut line-haul costs virtually in half, and this is extremely significant. If you are a strategic planner, it is not hard to predict that double-stack trains are going to move all over the United States because economics say it is going to happen. If a trucker is running line-haul costs of a dollar per mile, and in some cases double-stack trains are moving for 40 cents a mile, this is very, very significant.

How will all these economic factors come together to benefit the shipping public? We don't know, but it is through conferences like this that these things should be addressed. There is a tremendous future for specialized effective intermodal transportation. The way that the Act is currently structured doesn't allow the small carrier to get the benefits of volume that the larger carriers receive. This is not to say that third parties can't come along and fill that role, in fact, this is what is happening today. CSX is a third party. API is a third party.

What role should the government play, if any? What kind of strategic planning should you be doing if you are an ocean carrier? What kind should you be doing if you are a railroad? Or what kind should you be doing if you are a trucker?

Truckers will have to purchase domestic containers. Wherever and whenever there is an economic edge, such as in the double-stack trains, then you are likely to see innovation evolve.

## FOCUS ON MEGATRENDS THAT WILL AFFECT THE MARINE TRANSPORTATION SECTOR

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Our frame of reference is based on a lot of work done on a continuing basis for carriers, suppliers, ports, and shippers all over the world who are involved in maritime transportation. The perspective is global—it is not U.S.—because shippers and carriers think globally.

### World Trade

World trade will continue to increase. The largest trade market is North America-Far East, a quarter of worldwide container movements. The second largest trade market is Europe-Far East, and the third largest trade market is North America-North Europe. Inter-Asia is growing rapidly.

Trade will increase in the next 5 years more rapidly than from 1985 to 1990—a projected growth of about 6.6 percent per annum, which is pretty aggressive. It is not the same all over the world. The mature nations are not growing as rapidly as the developing or newly industrialized countries, but Europe, which grew at 2.3 percent from 1985 to 1990, will actually increase up to 2.7 percent because of the impact of European Community