

Logistics MANAGEMENT

TRANSPORTATION TRENDS

Shouldn't you be transloading?

More shippers are discovering the cost and efficiency benefits of this multimodal approach to moving bulk and other products.



BY JOHN PAUL QUINN

Transloading has been around since the age of steam and harness, but this multimodal transportation practice has seen a marked resurgence in the past five years. According to some estimates, the volume of transloaded cargo has grown by 50 percent, with growth rates varying considerably depending on the geographic region, industry, and product involved.

Briefly, transloading is the practice of transferring product between truck and rail transportation. It allows shippers and their customers to enjoy much of the cost benefits of rail transportation without having a rail siding at their door—at the least an expensive proposition, and for many companies, a physical impossibility. In most instances, a transload facility operator, third-party logistics company, or transportation broker facilitates transloading for both the shipper and the consignee. These companies coordi-

nate truck and rail connections and frequently offer warehousing and inventory management services to facilitate storage and delivery.

The objective of transloading is to get the goods as close as possible to the point of final processing, packaging, and consumption as economically as possible. In a typical transaction, a bulk shipment moves by rail to a transload facility, where it is offloaded with specialized equipment that's designed to handle the specific commodity. Depending on the shipper's or the consignee's requirements, the bulk product may then be packaged and warehoused at the transload facility, scheduled for delivery in smaller quantities to the consignee for further processing, or delivered directly to an end user.

Transloading's roots are in bulk shipment of raw and semi-finished commodities such as grain, dairy products, metals, forest products, and chemicals. But the practice isn't limited to those types of commodities. Today some shippers are successfully applying this technique to shipments of higher-value goods in a bid to accelerate turnover and reduce inventory costs.

SLASHING LINE-HAUL COSTS

For shippers that are considering switching from a single transportation mode to transloading, there are some useful benchmarks to guide their decision. One consideration is whether the distance is great enough to make the cost of transloading worthwhile. "Typically, 600 miles is the differentiation breakpoint for transloading," says Charlie Ring, business development manager for Ventura Transfer Company, a transloading firm with nine facilities in California and Arizona. Ring also suggests comparing the transportation and handling costs associated with trucking and transloading. "In a true bulk transloading operation, a shipper can send out four truckloads of product on a railcar and typically pay the equivalent of only two-and-a-half truckloads in price," he says.

That's one reason why Dial Corp., the Scottsdale, Ariz.-based manufacturer of household cleaning products, now relies on transloading to handle inbound shipments of "AES," a chemical compound used in manufacturing Purex laundry detergent. Dial had been shipping the viscous, temperature-sensitive substance in tank trucks from the supplier in St. Louis to a plant in Los Angeles. Pete Opsomer, Dial's transportation resource manager, was looking for a more cost-effec-

tive way to move the material. He explored the possibility of converting to transloading and ultimately selected Ventura Transfer to provide that service.

Today the supplier ships AES in ISO tank containers by double-stack train. At the destination terminal in Los Angeles, Ventura uses a special water-heating process to maintain the product's temperature and a custom-built hydraulic tractor to move and tilt the containers during unloading. The product is then trucked to Ventura's facility, where it is held at the optimum temperature while awaiting shipment to Dial's plant.

This procedure has not only slashed Dial's linehaul costs, but it's also eliminated the formation of significant amounts of "heel," or thickened material that typically forms at the bottom of tank trucks or containers and becomes waste. "If you combine the expense of the former single-mode trucking operation versus transloading and the elimination of the waste problem, thanks to transloading we've probably reduced our costs by approximately 35 percent," Opsomer reports.

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*—Charlie Ring
Business Development Manager,
Ventura Transfer Company*

THE CAPACITY CHALLENGE

For a company seeking to break into a new market that's some distance from its base, forward positioning of product is the name of the game. Transloading can provide the means to do so economically.

"If a supplier is 1,500 to 2,000 miles away from a marketplace it wants to break into, but that [mar-

ket] also requires consistent, quick response to replenishment of inventories, and that supplier needs to keep its transportation costs to a minimum, transloading is the solution," suggests Keith Reardon, Chicago-based assistant vice president of transload and cargo flow for the Canadian National Railway.

That ability to facilitate replenishment is another of transloading's strengths and a prime reason why it's no longer limited to bulk commodities, say proponents. In many cases, the use of transloading is being driven by retailers' desire to minimize inventory, says Dave Yocom, vice president of customer solutions at Lansdale Warehouse Co., a transload operator in Philadelphia. "The norm today is for companies to build only as much as they need to store one shipment of goods that can then be put out on the shelf," he notes. "A major benefit of a facility like ours is that we virtually manage the inventory of our customers through our transloading warehouse. So they can do what they do best—manufacturing or

selling—and not have to tie up expensive real estate with inventory.”

To accommodate the changing needs of their growing customer base, transloading companies have continued to expand their portfolio of value-added services. Many now offer such services as consolidated invoicing, combined product shipments in LTL quantities, and bar-coding and private-labeling capabilities, says Patricia Schlaeger, executive director of the Transload Distribution Association (TDA) in Azle, Texas.

Many shippers see transloading as a possible solution to another of today’s most challenging problems: the shortage of truckload and rail capacity. “In plain language, there are far more loads than there are single-mode carriers to take those loads,” says Carole Wink, senior vice president of the Transportation Division of Ancon Marine, Inc., in Carson, Calif., and TDA’s president -elect. “More and more shippers will move to transloading because long-haul trucking is no longer an option.”

Philip Penkrot, general manager of logistics services for Georgia-Pacific’s Building Products Group in Atlanta, agrees that total reliance on long-haul trucking is no longer practical. Rail infrastructure, moreover, is stretched too thin to handle all of his company’s transportation needs. He expects customers’ demands for larger inventories at consolidation and distribution points will push his company and others to increase their use of transloading.

In particular, transloading has emerged as a viable option for hazardous materials shipments, a sector where the driver shortage has been especially acute, says Curt Warfel, manager of customer service and logistics for Atlanta-based Eka Chemicals Inc., a supplier to the pulp and paper industry. “With more stringent requirements being imposed on drivers applying for a hazmat endorsement on their commercial drivers licenses, along with fingerprinting and extensive background checks, there has been about a 20 percent reduction in available hazmat drivers because they simply don’t want the hassle,” he explains.

Eka now ships some products by rail to a point that’s centrally located for several customers that order regular but small volumes. The transload facility converts bulk commodities to LTL shipments for delivery to those customers, which are situated within a 150- to 200-mile radius of the facility.

TENSION BREWING

Although growing demand for transload services has been beneficial for all involved, it’s also creating some tension between the railroads and the transload service providers.

Over the past two decades, railroads encouraged independent companies to get into the transload business by offering partnership arrangements to warehouse and trucking operators, and this proved mutually profitable for all concerned.

“Historically, the transload companies were virtually created by the railroads, who realized they could attract new business by offering a trucking tie-in to their depots and providing customers with information about this network,” explains TDA’s Schlaeger.

Recently, however, some railroads have begun building their own transload centers. One example is Canadian National, which owns and operates some transloading facilities while continuing to work with independent service providers.

According to Reardon, CN has invested heavily in transloading infrastructure because the practice offers a significant growth opportunity. “Over the past three years, with more plants and receivers cropping up all over the place and no one industry confined to any one area, we have been establishing more multi-commodity transloading facilities to be able to handle virtually any kind of product,” he says.

The move by CN and other railroads to provide transload services to shippers effectively puts them in competition with their partners, and the independents are concerned about the potential effects on their business. Regardless of how that situation may shake out, though, transloading is likely to see accelerating growth over the next few years, thanks in large measure to driver and equipment shortages, record fuel costs, and increasing demand for shipping capacity as the North American economy continues to expand.

Ancon Marine’s Wink believes that transloading service providers are up to the task. “The transloading industry has matured over the past decade,” she says, “and it is now uniquely positioned to provide multimodal solutions as well as both handling product and stocking inventory to properly serve both the marketplace and the customer base.”

John Paul Quinn reports on a broad range of business topics for journals in the United States and Europe.

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