



# The year ahead

In 2004 it was supply-chain security. In 2005 it was transportation capacity and delays. This year it is those things, and more. When we asked industry leaders to identify and discuss the top issues they see for the year ahead, there was no unanimity.

Twelve months ago, there was little question about the top issue. Memories of 2004's port and intermodal backups were still fresh, and industry leaders ranked transportation capacity and congestion atop their concerns for 2005.

A smoother-than-expected peak season last summer and fall took the edge off some of those concerns. Make no mistake, many of the industry leaders we canvassed in our annual survey are still very concerned that tight capacity will produce a recurrence of delays. But other problems also are lurking.

For example, supply-chain security; In the first three years after 9/11, this was by far the top industry concern. It received prominent mention last year, and again this year, and is certain to remain prominent for a long time to come. Others that came in for mention include rates and service, trade policy, technology, environmental issues and the Gulf Coast's recovery from hurricanes Katrina and Rita.

A word about the JoC's annual Review & Outlook: It is unique. We invite industry leaders to offer a brief commentary on what they see as the one or two top issues facing their part of the industry. The supplement you're reading contains 200 responses — a large enough sample to provide a good barometer of industry thinking.

We've been doing this for years, and are always amazed by the quality

of the responses, and the time and thought that the writers put into them. These are intelligent, informed commentaries by people who know their subjects and whose opinions count.

The essays are organized alphabetically by company or organization, beginning on Page 95. They're chock-full of insights and ideas. It's hard to select the standouts, but here are a few topics and thoughts that caught my eye:

● **Adrian Gonzalez, ARC Advisory Group:** "Poor data quality (late, incomplete or inaccurate) is the Achilles' heel of supply-chain management. Long recognized as a problem but often ignored, data quality will likely decline next year as companies add or change trading partners, enter geographies with poor information-technology capabilities, and are flooded with new streams of information and data requirements."

● **Kurt Nagel, president of the American Association of Port Authorities:** "To their credit, ports that were thrust into the media's spotlight (by hurricanes) responded proactively, telling the world what they were doing to keep commerce flowing. This positive attitude helped raise public recognition of, and respect for, the resiliency and value of America's seaports."

● **Clark Brown, Bridge Terminal Transport:** "Frankly, we were fortunate as an industry to have had a fairly smooth (peak) season, but we cannot assume that the future will be the same without major changes in the way we conduct our integrated business — shipping lines, rail and truck."

● **Matt Rose, Burlington Northern Santa Fe Corp.:** "We can only meet future demand by reinvest-

ing adequately to maintain the quality of our infrastructure and to expand our railroad's capacity to handle more freight. And we can only do this if we reach a return on invested capital that is greater than the cost of capital, and maintain that level of performance through the business cycle. Because rail customers will reap much of the primary benefits of expanded infrastructure, they will have to share some of the burden."

● **Frank Baragona, CMA CGM (America) Inc.:** "Alas, while developing the second generation of Web sites that most transportation providers offer today, we overlooked the opportunity to challenge and change long-standing business practices . . . As an industry, we need to assess our paper-and-work-flow processes and take significant steps to make process improvements. We must move beyond electronic communication and into e-commerce."

● **Dennis Bryant, Holland & Knight:** ". . . Companies will increasingly incorporate security and compliance measures into their routine operations, rather than consider them bothersome add-ons . . . Bolt-on, knee-jerk responses to regulatory requirements are time-consuming and expensive. Efficient companies will integrate these procedures into their operations manuals, thereby improving compliance while reducing cost."

● **Paul Svindland, ICG Commerce Inc.:** "More companies are finding it simpler and more cost-effective to outsource the logistics business process or significant components of it. Hence, the already growth-oriented outsourcing market will escalate in 2006."

● **J. Russell Bruner, Maersk**

## Executive Commentary

While this outlook goes beyond 2006, industry leaders already are embracing these core tenets, which bolsters confidence that the industry will enjoy true, systemic change in the years to come.

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**I**n 2006, the desire to increase control will continue to drive trends within the logistics community. Shippers, carriers and third-part logistics providers each have different motivations for increasing control, but their separate efforts are fueling trends that perpetuate each other.

In the shippers' world, aside from the growing complexity of global transportation, one of the factors pointing to the importance of gaining better control of logistics was made apparent by the fuel crisis that resulted from Hurricane Katrina. Shippers' rising concern over freight control has caused a flurry of activity in the transportation-management systems arena as companies search for solutions that heighten supply-chain visibility and exception-management capabilities that can help hedge against natural disasters, clogged ports and a dearth of capacity, particularly in the trucking industry.

More companies are finding it simpler and more cost-effective to outsource the logistics business process or significant components of it. Hence, the already growth-oriented logistics outsourcing market will escalate in 2006.

The carrier and 3PL markets experienced tremendous consolidation in 2005 as a number of providers work to become one-stop logistics shops. We expect this trend to continue as carriers and 3PLs work to become more entrenched within their customers' organizations. As the need for providers who are able to deliver better end-to-end visibility and control increases, large providers of comprehensive logistics-management services and single-mode transport who control all pieces of the "logistics puzzle" will polarize the marketplace. Shippers will benefit from "one-stop shopping" logistics services, but should be watchful when hiring such providers to ensure that they are legitimately capable of delivering a large comprehensive offering.

Better visibility and control over the frenzied pace and complexity of global logistics is significant to all players in the transportation industry. This theme was highlighted in 2005 and will continue to be important in 2006 as this industry takes meaningful steps to address it.

### IES Ltd.

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006 will be a year of unprecedented competition in our industry. Gone are traditional forwarders and non-vessel-operating common carriers. Everyone will be a provider