

Shippers taking their lumps in uncertain times

'Not enough freight to go around' puts trucking firms and the airport on delicate ground.

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The trucks pulling in and out of Todd Transit's facility aren't as full as they used to be.

And instead of working 55 to 60 hours a week, drivers are working 50 hours.

Two of Todd's customers are going out of business this year, and the ones that remain are shipping less.

Todd doesn't expect layoffs because it planned ahead for the economic downturn, General Manager Paige Peterson says. But he thinks it's going to get even worse for his industry because as the economy worsens, demand for consumer and manufactured goods falls.

And that means fewer things to ship.

"There's got to be carriers looking at shutting down next year," he says. "There's not enough freight."

"We're vulnerable based on what happens nationwide," says Janyce Fadden, president of the Rockford Area Economic Development Council and executive director of the I-39 Logistics Corridor Association. "If any of them have to make consolidation decisions, it's not a guarantee that the consolidation would be to Rockford instead of from Rockford."

Keep on truckin'?

In the Midwest, trucking firms are seeing their least profitable year since 2001, according to Sageworks Inc, a research firm that tracks data of privately held companies. And many of those firms have cash-flow problems — their customers are taking longer to pay their bills, so the trucking companies are taking longer to pay their own.

Industry experts say the best that companies can hope for is to just hold on until things improve.

"The decreased capacity will make it better for the surviving companies, but who knows how much shippers really are going to ship?" says Ron Hounsell, treasurer of the Chicago roundtable for the Council of Supply Chain Management Professionals.

At the same time, there are some reasons for hope, Fadden says. If President-elect Barack Obama's proposed stimulus package includes money for transportation and construction projects, local transportation companies could see an increased demand for their services.

And if the Rock River Valley can promote itself as a congestion-free alternative to Chicago, it can nab cost-conscious companies looking to relocate.

Up in the air

Even Chicago Rockford International Airport, which was a regular source of good news in 2007, hasn't been immune from the economic slowdown. Beyond the highly publicized drop in passenger activity, it has seen a decrease in cargo numbers.

Through October, the airport was almost 8 percent off last year's record pace in terms of landed cargo weight. That's primarily because UPS, by far the airport's biggest cargo operation, has seen a drop in volume systemwide.

Meanwhile, DHL — the smallest operation here — is eliminating its domestic shipping centers by

the end of January. UPS has been in talks with that company, though, and it might not result in a loss of activity here.

The economic slowdown could actually help the airport's efforts to woo additional cargo airlines, Executive Director Bob O'Brien says. Those airlines, particularly ones at O'Hare International in Chicago, are looking for ways to save money.

"As they feel pain, hopefully that drives them closer to us," he says. "We can heal their pain on a permanent basis. We're half the cost."

Still a hub of activity

Rochelle, the area's center of logistics activity, has leads on two new transportation industry projects and one expansion for next year.

Many of the Hub City's logistics operations are in the packaged-food industry, which is seeing increased sales as people eat at home more often.

"Del Monte is to the walls and to the ceiling," says Jason Anderson, the city's economic development director. "These warehouses are busting at the seams."

Meanwhile, the city touts the Union Pacific Global III intermodal hub, which allows companies to ship products to and from the coasts without going into Chicago.

Anderson says activity around the hub seems steady, particularly because Illinois River Energy's ethanol plant is exporting trainloads of its grainy byproducts abroad to feed cattle.

Union Pacific declined to give local numbers, but its overall intermodal operations show mixed signs. Revenues were up in the third quarter, but volumes were down, according to its quarterly report. There are signals that international intermodal traffic, which represents two-thirds of its intermodal volume, will continue to drop, and domestic traffic could stay flat or even increase.

Distribution wealth

Despite weak consumer activity, two retailers with major distribution operations in Rockford see room for growth.

Bon-Ton Stores closed its Green Bay, Wis., distribution center this year and shipped some of the work to its Rockford center. Last year, the Rockford distribution center started fulfilling online orders for Bergner's, Carson Pirie Scott, Elder-Beerman and other Bon-Ton brands.

"Without the consolidation of the Green Bay operations, Rockford's workload would be basically flat to last year," spokeswoman Mary Kerr says. "Going forward, we see the greatest growth potential for Rockford coinciding with the e-commerce fulfillment business."

Meanwhile, Lowe's — which opened a massive distribution center last year — is planning to add 75 to 85 stores next year. Spokeswoman Karen Cobb declines to say whether the Rockford center would get some of that business, but she noted that it has added employees since opening and "is healthy and thriving."

Fadden says the area is trying to attract more distribution facilities and is investing in new industrial parks despite the downturn.

Hounsell, with the Council of Supply Chain Management Professionals, says it's an uphill battle for the Midwest, which has been losing distribution centers to the South and Southwest, where labor costs are cheaper and a growing number of consumers live. But uphill doesn't mean unlikely.

"Somebody's got to move those goods from the other parts of the country into this area," he says.

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