

Competition a story of an industry

By Joel Levitt

A manufacturing manager was complaining that because of low wages jobs were going off shore. He wanted the government to help him compete with the foreigners. This conversation could have been happening in Detroit, Rochester or Omaha. In fact the conversation happened in Kuala Lumpur, the capital of Malaysia. The jobs in question were moving from factories in Malaysia to new factories in Viet Nam. In the next few years it is expected that Viet Nam will be a low wage-manufacturing powerhouse.

Interesting story but what does it have to do with fleet maintenance and operations? Competition does not always come in neat packages. Sometimes it comes from where you least expect it. Competition is not always bad either. In fact, the best of the best were spawned in highly competitive environments.

Trucking is a good example. All during the 1930's and 1940's small trucking companies scrapped it out with each other on a load-by-load basis. They were lean, mean and could stop and turn on a dime. The eight hundred pound gorilla of the day was the railroad industry. The railroads peaked in 1947 (in mileage of rail) just after the war but before the trucking industry could effectively compete.

But what real beat the railroads? The railroads were arrogant, insulated, and not innovative and would not answer the customer's needs for reliability. The railroad people (with few exceptions) talked to each other and listened to each other and it seemed that few saw the upheaval coming.

Had they understood they would have bought trucking companies and adopted their superior modes of communications and reliability? As it was their solution was to merge to become bigger and bigger dinosaurs. Every merger moved the benefits, pensions and work rules further from reality (since it seemed they adopted the most liberal rules of the two companies).

Had they understood what the trucking industry did well they could have continued to dominate the transportation sector by adopting multi-modal approaches whole heartedly (they did this in Europe). Here it was fought tooth and nail (with a few exceptions). Given the choice they chose to be in the railroad business rather than the transportation business.

Fortunately the trucking industry was spawned from a hotbed of competition. Competition is in the blood of most carriers. This is a good thing that will prepare the industry for future competition. Questions to answer: Do we welcome innovation? Is this an environment where people can experiment with everything from new synthetic lubricants to new types of engines?

Are we seeking ways to improve communications with our shippers and improve reliability of our delivery estimates?

What is the next big thing? Where will trucking competition come from? An innovative industry will be better prepared for the next greatest thing.

Low wages alone didn't move the jobs away from my Malaysian friend's plant. Lack of innovation did. The trucks did not beat the railroads. Arrogance coupled with a paranoid lack of innovation almost completely destroyed the railroads. It is interesting to note that the freight railroads left look an awful lot like trucking companies.

Executive Summary

Competition doesn't necessarily come in neat packages. Often it comes from places you least expect it. Competition is not always bad either. In fact, the best of the best seem to be inspired in highly competitive environments. Competition is in the blood of most companies. This is a good thing that will prepare the industry for future competition. Questions to answer: Do you welcome innovation? Is this an environment where people can experiment with everything from new synthetic lubricants to new types of engines? Are we seeking ways to improve communications with our shippers and improve reliability of our delivery estimates? What is the next big thing?

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