THE LINCOLN ELECTRIC COMPANY From: Office

To: TRANSPORTATION RESEARCH FORUM
LAKE ERIE CHAPTER

Date: July 10, 1985

Subject:

Answering Letter Of:

In accordance with the initial notice dated June 25, the next meeting will be held

THURDDAY JULY 18, 1985 7:45 AM to 9 AM
University Club, 3813 Euclid Ave. 431-0091

The specific subject will be "Transportation and the Cleveland Economy", led by Tom Zlatoper, and based on his article in the REI Review. (Anyone needing a copy should ask me for one).

The proposal was that other members submit "position papers" which I would duplicate if I received them by July 9. Having received none, I have prepared one of my own, which is enclosed.

Further meetings are scheduled for Thursday August 15 and Wednesday September 18 at the same time and place.

Anyone who receives this notice for the first time may request copies of previous notices from me. There are no requirements at this time except to pay $5.00 for the breakfast.

However, I would appreciate receiving notice that you are coming.

Arthur W. Todd

Arthur W. Todd
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Cleveland OH 44117
216-481-8100

I am coming to the July 18 meeting

Other comment

Signed

July 18FT, 1985

A Review of the paper:

Transportation and the Cleveland Economy, by Dr. Thomas J. Zlatoper, REI REVIEW, June 1985

by Arthur W. Todd, sometime freight hostler

The article is interesting, worth while, and overdue, inasmuch as it has been a long time since anyone approached the issue except as a partisan advocate of some particular mode or facility.

While the article gives a very brief overview of the history of transportation in this area, and its significance to the growth of the city and the establishmemnt of its major industries, these comments are by way of introduction and not particularly relevant to the current status and needs of the community. It might be worth observing that Cleveland is at the western end of the "water level route" from the East; that it is partly ringed by the Alliance, Akron and Ashland hills which tended to funnel traffic through Sandusky and Galion., and thence south and west for the convenience of forms of transportation which expended considerable effort to climb hills. The significance of this geography expired a hundred years ago with the advent of properly powered equipment, but the vestiges remain in routes and routines. This circumstanvce is significant in contrast to a place such as Columbus, Ohio, which is and was readily reached from every direction.

All of this is secondary to the main issue, which is to explore the effect of freight rate deregulation, climaxed in 1980, on the status of Cleveland as an importing and exporting center in the sense defined in the paper. To explore this issue, the author relied upon the three Census of Transportation for the years 1967, 1972 and 1977. Both he and we anxiously await the availability of figures from the 1982 Census, which should be available shortly, and which should reflect the results both of the effective date of massive deregulation and the advent of a seriously depressed economic climate - which, for the five major industries listed (especially primary metals) - is still with us.

The analysis of the data available from these Census studies has been carefully made, but it is limited in some major aspects. The Census defines only "Production Areas" which are agglomerates of "Standard Metropolitan Statistical Areas - "SMSA's" which in this case combine the outputs of Cleveland, Erie, Akron, Canton, Lorain, Elyria, and Youngstown, and refer to shipments to and from the Production Areas, and also to and from "no-man's land" being the sum total of all areas not within the Production Areas. In order to derive figures pertiment to the Cleveland area alone, it is necessary to engage in some assumptions which may or may not be correct, or may be correct for some Census years and not for others.

The study omits reference to air cargo, which is generally 1 or 2% of all traffic and possibly not significant, and also all reference to water traffic in the Port of Cleveland, which at one time totalled over 19 million tons and presently includes at least a million tons of overseas trade and four or more millions of domestic and Canada trade - figures far from insignificant and worth any figure you may wish to name - maybe $10 million - to the Cleveland economy.

The study also makes no attempt to determine the value of the goods being transported. These values could run anywhere from $20 to $10,000 per ton, or more. On the lower value commodities, the freight bill might equal the invoice cost, whereas on higher value shipments, freight rates may be in the area of 1/2 to 1%, but as to all of these, some fragment of the transportation charges "stay in Cleveland" and hence enrich this community.

The freight rate/value ratio also has a bearing on the selection of routes and distances for transportation. A high ration will cause the shipper to be very conservative as to distance and carrier, whereas a low ratio will permit the shipper a very wide choice of origin, destination, and mode. There must be a level of tolerance, above which the shipper will wish to examine alternate transportation arrangements seriously.

Deregulation is definitely a "favor the rich at the expense of the poor" stratagem, because it gives the most leverage, regardless as to mode, to the shipper with the "most desirable" freight. This would include all the heavy shippers and also those shippers who both ship regularly and do not make undue demands for speed in transit, so long as each individual shipment tendered is of "reasonable suize" whatever that is. Lincoln Electric Company is a very desirable shipper to UPS with 350 shipments outbound and 150 inbound every day, even though none of these weigh over 50 pounds. Deregulation also favors the shipper who can make use of a "backhaul" of an otherwise empty shipping vehicle. "Disfavored" shippers have to use somewhat unusual stratagems - especially shippers' associations or transportation brokers, neither of whom are particularly prominent in Cleveland.

There is also an aspect which the author politely describes as "conservatism" which in more direct terms is just plain poor traffic management. At one time, Cleveland was noted for the skill and imagiuination of its traffic managers. That day, with a few bright exceptions, is over. Regardless as to any evident or implied advantages in any sort of "re-routing" most traffic personnel in Cleveland will be "the last" to make any changes.

As to more specifically pertinent data, I am too far removed from statistics gathering to make pertinent comments in a modern age. At one time the ICC conducted a 1% waybill study. It has since been taken over by some other agency. As originally conceived, it was statistically unsound, and provided data only as to major rail freigh rate areas. With modern data processing techniques, proper data may possibly be secured. A comparable but far superior survey is operated by Eastern Central Motor Carriers' Association in behalf of all the motor rate bureaus. The Census of Manufacturing may have more discrete data. At one time in the 1950's, the ICC published a booklet identified as "freight rates in relation to wholsesale value at destination". Something of the kind may be available now, from the National Motor Freight Classificationn Board or some such agency.

Bottom line, we in Cleveland are interested, in the freight area, in "anything that moves" which includes a vast array of items handled by a multiplicity of marketing operations such as warehouses, supermarketds and the like, plus an equally wide variety of things which are not usually considered as "manufactures" of which newspapers is just one example.

It is one objective to understand our status. It is another to "sell" these advantages both to ourselves and to our prospects. The latter should be our ultimate objective.

TRANSPORTATION AND THE CLEVELAND ECONOMY

Submission by Tom Harrison (BS in Bus Adm, John Carroll) received July 11, 1985

Reduced manufacturing activity in Cleveland has caused a steady decline in the volume of outbound motor freight to major markets.

While raw material inbound also declined, its sources were generally nearby and were not major markets.

Meanwhile, the inbound volume of consumer goods and materials used in the growing service industries has remained near prior levels. A similar situation exists within the entire mid-American region.

This local and regional imbalance creates a situation which will tend to depress outbound freight rates while increasing inbound rates.

While this situation prevails, any Cleveland shipper who generates a steady flow of outbound freight has an opportunity for sizeable short-term savings.