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Orion Marine thrives on breakbulk challenges by Gene Linn, AJOT

Pirates, ice-choked ports and government embargoes are some of the challenges faced by Orion Marine Corp. as the Chicago-based logistics company seeks breakbulk and heavy lift business in out-of-the-way-places.

“We go more off the beaten track,” said Peter Schauer, Orion Marine chief executive. “We always look for areas that are not over-served yet.” Once an area gets a lot of service, Orion Marine usually moves on. Take Nigeria, for example. It wasn’t the Nigerian pirates that took over a barged being used by Orion Marine that caused the company to shy away from the country.

Said Schauer, “We used to go to Nigeria, but it got so much volume that we shifted our emphasis.”

Orion Marine also emphasizes breakbulk and project cargo. Much of the heavy-lift business goes to burgeoning energy projects in Far Eastern Russia and mining operations in Mongolia and other locations. Breakbulk cargo includes crates of 42-foot-long lengths of pipe going to Libya and smaller, more easily damaged cargo such as wood working machines, boats, tools, lab equipment and modular homes. All cargo sails from US ports, mainly on the East Coast and in the Gulf. Business is handled by a lean staff, with Schauer right in the middle of the activity. “I keep it (the company) small,” he said. “I don’t want to be an administrator; I’m a doer.” Business is good.

“Now there’s strong demand in breakbulk,” said Schauer. That’s largely because high commodity prices are attracting investors to numerous large projects. Weakness in the US dollar against the Euro and Japanese yen also helps exports, Orion Marine’s specialty.

Profits are the mainspring of any business, but Schauer personally gets a bonus from the challenge of sending breakbulk and heavy-lift cargo to exotic destinations. “I have been in this business for almost 50 years, and I always loved working with those juicy areas,” he said. “I have reached retirement age and was at a point I could have conked out, but I stayed because I love it.”

The challenge comes from the nature of the breakbulk industry, as well as from problem posed by difficult markets. “Breakbulk requires huge investment and it’s cyclical,” Schauer said. “It may take one or two years to get enough specialized cargo ships, and by any time the market may have turned.” Breakbulk and heavy-lift cargo is often expensive equipment that is a key part of a massive project, which means it has to be delivered on time.

“If something goes wrong,” Schauer said, “you have to have a plan B.”

FAR FLUNG CHALLENGES

Since Schauer loves both profits and challenges, he must have been in heaven when Orion Marine helped provide transportation for a huge gold and copper mining project in Mongolia. Mining equipment, road building machines, housing and others products flowed steadily from the US to the isolated fourth world country in northeast

Asia. “All of a sudden, the company in the mining project had a falling out with the Mongolian government,” Schauer said.

“In mid-stream the company abandoned the huge project. For us it had been extremely important and profitable.” Orion Marine was left to look elsewhere for business.

Schauer noted that such dramatic shifts in political and business alliances are common in many out-of-the-way countries. “It happens all the time,” he said. Even the US government can interfere with business.

Orion Marine had sent one large shipment of irrigation equipment to Libya.

These days few, if any places present tougher transportation problem than war-torn Iraq and Afghanistan. Orion Marine used to often deal with Afghanistan, but the sharp decline in civilian demand has hurt. The US military is shipping enormous quantities of materials to that country, but it must be carried by US flag carriers, to which Orion Marine does not have access. The company still does quite a bit of business with the Iraqi government, but stopped providing inland transportation two years ago because of the increasing threat of violence. Reflecting radical shifts in politics and economies in the region, Orion Marine no longer can use old, reliable trade routes through Iran to Afghanistan and through Jordan and Syria to Iraq. “If you say you’re going through Iran, insurance underwriters say that’s not a good idea,” Schauer said.

Another lucrative destination that presents its own unique challenges is energy-rich Siberia and the rest of the Russian Far East. “We got just South of the North Pole,” said Schauer. “It’s just amazing.” Cargo must be delivered in a short time window because of the extreme cold. Ice-breaking ships are sometimes needed, but even they may not be enough. “In Siberia one time we couldn’t get the cargo in by sea because of ice, and we had to have it lifted in by helicopter over open sea,” Schauer said. Political developments can also cause problems in that area. “Energy sectors are coming under more and more control by the government,” Schauer said. Western companies spent years and large sums of money drilling and exploring for oil around the Russian island of Sakhalin. “All of a sudden the Russian ownership of these joint ventures changed, and the Western companies lost interest; all of a sudden there was nothing anymore.”

Despite all the vagaries of politics and weather, those are not the biggest challenges in breakbulk and heavy lift transportation, Schauer said.

Instead, it is the lack of appreciation for all the complexities of those types of transportation on the part of many shippers, manufacturers and carriers. “This industry now tends to pick up people who can push buttons, but who don’t have practical experience, or who are not transportation experts,” he said. “Now you have to try to explain the business to them and after a while you see their eyes glaze over.”