

WSJ LOGISTICS REPORT

Freight Companies Scramble to Reroute Goods in Wake of Harvey

Trucking fleets, railroads and shipping lines look for alternative routes as Tropical Storm Harvey disrupts a major transportation hub



With rising waters threatening stretches of highways and railroad tracks in southeast Texas, freight companies are working to reroute cargo. A vehicle lies submerged on the closed I-10 highway on Sunday after Tropical Storm Harvey caused heavy flooding in Houston. PHOTO: MARK RALSTON/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Paul Page and Brian Baskin

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Trucking fleets, railroads and shipping lines are rerouting cargo and setting up alternate supply lines as Tropical Storm Harvey promises to disrupt freight traffic across southeast Texas for days.

Seaports in Houston and Corpus Christi have been closed to most ships since before Harvey made landfall Friday, and rising waters from days of heavy rains and catastrophic flooding are threatening long stretches of highways and railroad tracks, bringing freight transportation in a major American hub to a virtual standstill.

The number of Houston-area trucking runs requested plunged 80% Sunday, according to the most recent data from DAT Solutions, an online load board. Union Pacific Corp. UNP -0.43% ▼ has halted all freight rail traffic bound for Houston and surrounding areas, while United Parcel Service Inc.

UPS -0.82% ▼ has suspended freight service in Houston and Beaumont, Texas, and is offering limited service as far west as San Antonio. Two Maersk Line container ships remain anchored in the Gulf of Mexico, joining oil tankers and cruise ships waiting for Houston's port to reopen.

The gridlock will likely reverberate beyond Texas, threatening to snarl international trade routes. Houston is a key consolidation point for imports of vehicles and appliances made in Mexico, and stores as far away as Denver bring in foreign-made goods via the city's port.

The storm affected up to 10% of the U.S.'s trucking capacity, according to Noël Perry, chief economist with Truckstop.com, another online load board. Retailers and other shippers around the country may struggle to line up enough trucks to ship goods. And many trucks that are available are being turned over to relief and rebuilding efforts. Wal-Mart Stores Inc. has sent more than 1,000 big rigs to hard-hit areas and evacuation centers, with most carrying water.

Shipping costs could rise anywhere from 5% to 22%, Mr. Perry said, based on the market's response to past natural disasters, including Hurricane Katrina and the "polar vortex" that hit the Northeast in 2014.

Many freight companies say they have no idea when they will resume operations. Even after the weather clears, it could be days before floodwaters recede enough to allow dockworkers back into ports, or trucks to resume routes.

"This may be unprecedented when all is said and done," said Mark Rourke, chief operating officer at Schneider National Inc., a large Green Bay, Wis.-based trucking company. He said it could be three days before Schneider employees can access some terminals in the city and potentially two weeks before normal operations resume.

Darren Hawkins, president of Overland Park, Kan.-based YRC Freight, said the trucking company's terminal in Houston has remained closed since Friday, when workers were sent home, and the company hasn't decided when it will be able to reopen.

"We have about 3 feet of standing water in the parking lot," he said.

YRC has been holding freight bound for Texas near the origin point since the middle of last week, adding trailers to keep goods at sites throughout its nationwide network.

Mr. Hawkins said YRC was bringing some critical shipments needed for relief, including generators and bottled water, to staging areas authorities have set up around Houston. But it could be some time before operations get back to normal, he said.

“By the time the city is open again, there is going to be a tremendous amount of tonnage going in,” Mr. Hawkins said. “This is looking like a multiday event, and so it’s not over, and means the recovery will be that much longer. With Katrina, we had almost immediate access [after the storm surge] to the area. That’s not the case with Houston.”

Many freight movers are likely to see booming business once waters recede and people turn to rebuilding their homes and businesses.

Kirby Corp. , a Houston-based barge and tugboat operator, has had its vessels in the region tied up in areas outside sea currents and expects to get them moving to meet pent-up demand for energy and other shipments once the rain stops and floodwaters recede.

“We anticipate, based on our experience, that our phones will be ringing off the hook,” said Matt Woodruff, director of public and government affairs at Kirby.

But Mr. Woodruff added that the Coast Guard and U.S. Army Corps of Engineers would have to survey the waters for debris and shifted shoals before shipping channels open.

Flooding could lead to rising levels of silt in the Houston ship channel, said Paul Bingham, a trade economist with Economic Development Research Group Inc. Port pilots, who board incoming ships and navigate them up the channel, will likely be hesitant to run vessels through a shallower channel until the Coast Guard has had a chance to test the depth.

The solution for now, Mr. Bingham said, will be to load ships lighter—and carry less than their capacity of petroleum products, bulk goods and containers. For container cargo, that could mean shipping companies would have to unload more goods at other ports before visiting Houston.

Port Houston, which appeared to avoid damage, said Monday afternoon it would remain closed on Tuesday.

For some carriers, all that is left to do is wait. “We are supposed to load up in Houston, in Corpus Christi, early Sunday, but nothing still goes in or out,” said Aristos Pitsilis, the executive officer of a Greek-owned oil tanker. “We’ve been told that maybe tomorrow we’ll make our way.”

—*Erica E. Phillips, Paul Ziobro and Costas Paris contributed to this article.*

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