Formulating a coherent US intermodal policy

There is a lot of transportation activity in Washington these days. The current administration has done a great deal to support intermodality in this country — Transportation Secretary Rodney Slater has made it a cornerstone of his policy. We should, however, be somewhat wary of legislative initiatives that seem as if they are being developed independently of one another, rather than in a coherent intermodal format.

The passage last year of the Transportation Equity Act for the 21st Century, TEA-21, was a monumental achievement and had the critical mass of many constituencies behind it. This year there are three legislative issues moving forward in a somewhat disjointed fashion: harbor maintenance tax replacement, Surface Transportation Board reauthorization, and truck size and weight.

The harbor tax needs to be replaced because it was ruled unconstitutional. The new plan calls for the collection of almost $1 billion a year in taxes to pay for routine maintenance dredging and the federal government’s share of new dredging. Vessels would be taxed on the vessel capacity unit, basically the ship’s net tonnage with some adjustment. Industry groups clamor for a return to federal government paying the whole tab, as it did before 1986. They have not, however, addressed possible overcapacity. (A study has shown that requiring local entities to pay a percentage of these projects dramatically cuts demand.)

Currently, the STB is already on one extension. There are three competing pieces of legislation, and the administration is considering a fourth. One bill would retain the existing policy course and give the board a four-year funding infusion. One would promote rail competition while streamlining STB procedures. The middle course claims to offer concessions to shippers while allowing railroads to retain the ability to generate sufficient return on investment.

There is the ever-popular issue of truck size and weights. One suggestion has been to raise gross truck weights from 80,000 pounds to 97,000 pounds, with a third trailer axle spreading the load.

Overall, the implications of any legislation to these three basic policy areas are severe. Some scenarios:

If railroads lost their ability to differential-price, intermodal rates would have to rise. As a result, steamship lines could not afford a single load-center port with an intermodal hub; the transcontinental rail rates would be too high. Steamship lines could well divert traffic over Canada, or transship to the East Coast with smaller vessels over a Caribbean port such as Freeport. But more business would divert to the highways, and without larger trucks, a shortage of drivers would drastically affect freight mobility.

Some would maintain that an increase in truck size and weight limits would dramatically affect the railroad’s intermodal market share. (A recent Federal Highway Administration study would seem to support this contention.) As the railroads lost discretionary traffic, rates on other commodities would rise, regardless of legislative initiative. The arithmetic is simple — with a reduced traffic base, average rates have to go up.

Funding dredging raises questions of technology. Some marine engineers believe that vessel capacity will continue to grow. Until today, bigger vessels meant deeper draft requirements. But there is speculation that the addition of a second propulsion system, which would be necessary for vessels carrying more than 8,000 TEUs, would require less draft than that needed for the current 6,000- to 7,000-TEU vessels. Is it wise to spend billions for a technology that might just be passing through?

There seems a consensus among industry leaders that government should not engage in industrial policy. On the other hand, the government has a responsibility to help forge a policy beneficial to our country.

When the Intermodal Surface Transportation Efficiency Act was passed in 1991, it created the National Commission on Intermodal Transportation to study the status, problems and resources of passenger and freight transportation. The report recommended that federal policy architects envision a unified national system. It said, “The biggest bang for the buck will be in the connections between modes.”

This was an important recommendation. The National Highway System subsequently identified critical intermodal connectors. Additional policy initiatives came out of that recommendation.

The commission also identified government’s disjointed approach to transportation as an impediment to effective development of intermodal initiatives. There has since been effective reduction of the executive and legislative branches.

Perhaps it is time to reconvene a group, to advise how to more effectively integrate modal policy initiatives into a coherent national policy. The timing is tricky — as we close in on the 2000 presidential and congressional elections, policy initiatives often dry up. However, the requirements are growing, as are the risks.

The issues are pressing. Intermodalism is good for this country, and we should do the hard work of maintaining it at its best.

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