Corridor considered

On April 12, after 20 years of effort, the Alameda Corridor was officially dedicated. The $2.4-billion intermodal project is intended to significantly enhance the flow of trade in southern California — and improve mobility in the Los Angeles metropolitan area.

The corridor is a 20-mile rail express line between the Ports of Los Angeles and Long Beach and Los Angeles. It connects the marine terminals and the transcontinental rail mainlines. Perhaps the most important feature for the local communities is the line replaces a disjointed system of almost 90 miles of inefficient rail and eliminated almost 200 at-grade crossings.

This project certainly merits its designation as a “project of national significance.” While it doesn’t get the attention allotted to projects such as Boston’s Big Dig, the Alameda Corridor is one of the largest pure freight projects ever undertaken in this country. Any industry study of surface transportation reauthorization legislation for the coming year should be approached with this project in mind.

The corridor is the ultimate intermodal connector financed through a “public-private” partnership. The $2.4 billion was assembled through an amalgamation of loans, loan guarantees and grants. Despite the corridor’s apparent success, there are still lessons we can learn from this project.

For better or for worse, the Alameda Corridor represents industrial policy — the federal government, by virtue of its funding support, selected winners and losers. For example, the corridor has guaranteed that the San Pedro ports will be winners for at least a generation — at the expense of Oakland and ports in the Pacific Northwest. Almost every major transpacific line features a dedicated San Pedro terminal with on-dock rail. These facilities were built with an underlying volume guarantee that requires lines to channel most discretionary (i.e., intermodal) traffic through San Pedro for the foreseeable future.

Some might argue that this country needs more — and not less — industrial policy in transportation planning. Such planning would ensure that limited funding available is used for the optimal benefit of all system stakeholders.
As an industry, we should utilize the corridor and take perhaps four lessons to heart for the future:

• Anticipate the unexpected.
• Always remember trucks.
• Protect investment flexibility.
• Plan operationally.

Today, the major West Coast maritime issue is the labor contract between the Pacific Maritime Association and the International Longshore and Warehouse Union, which expires June 30. Just as the Alameda Corridor gave the San Pedro ports a business monopoly, it gave the same to the ILWU. Since steamship lines cannot realistically divert significant volume away from San Pedro, the PMA struggles to negotiate an “or-else” strategy. This unintended consequence may be devastating to the industry.

Regardless of what mode of transportation is used for any intermodal movement, there is almost always one truck movement. The corridor provides us some interesting lessons. Most people have forgotten (or may never have known) that the original Alameda Corridor design was a true intermodal connector — the double-rail mainline was to be accompanied by six truck lanes. The truck lanes were not included in the final plan — and that’s a problem because the trade growth filling the corridor will further congest local highways.

The corridor was designed — and constructed — without an operating plan for all stakeholders, who now face serious investment challenges. When calculating investment benefit, it is necessary to predict benefits over the expected lifetime. Normally, this has been an engineering decision to determine the physical life of the asset. But today, economic obsolescence can precede physical decay. Vessel changes provide a compelling example.

In 1992, vessels calling San Pedro carried an average of 3,500 TEUs, with a typical traffic mix of 40 percent local and 60 percent intermodal. Not all intermodal could move on-dock — about one-fourth still need to be drayed off-dock. Excluding what would move on-dock, the average vessel would put 55 percent of the cargo (1,925 TEUs) on the local highways.

Today, vessels calling San Pedro carry an average of 5,000 TEUs. The typical traffic mix still has 40 percent local but intermodal is 50 percent intact and 10 percent deconsolidation. The last category didn’t exist 10 years ago. It reflects intact loads destined for Los Angeles local distribution centers. The cargo will arrive in Los Angeles in a marine box — but leave in a domestic piece of equipment. Excluding what would move on-dock, the average vessel could put 50-60 percent of the cargo (2,500 to 3,000 TEUs) on the local highways. Larger vessels will load the same volume on-dock, but put an even larger burden — and more congestion — on the local highway system.

The rise of deconsolidation comes from supply chain management (i.e., inventory deferral) and economic globalization (i.e., more direct shipments from China.) In 10 years, we will doubtless see more changes.

Many steamship lines express dismay over the $15-per-TEU fee that will finance the corridor’s debt. But most of them agreed to pay that fee — not aware what the fee would be. The same holds true for operating costs. When all costs (from all participants) are factored in, an on-dock transaction may be four or five times more expensive than an off-dock dray. For most lines, it’s too late to bargain. Operating costs should always be understood ahead of time. (In contrast, the Transportation and Safety System Stabilization Act requires detailed operating plans before federal loans will be granted to airlines.)

The Alameda Corridor was meant to eliminate a major transportation bottleneck. Networks sometimes remind us that as we relieve one chokepoint, others arise. In addition to increased drayage (due to vessel size and mix changes) railroads have their own unique network problems. Despite an assumption that on-dock trains would be unit trains with no need to stop at Los Angeles, most on-dock moves require prior/subsequent switching at Los Angeles, and no additional switching yards were built. There are also limits on the number
of trains that can be run on the preferred intermodal route coming out of (up from) the LA Basin (In the 1960s the Atomic Energy Commission considered using peaceful nuclear explosions to build railroad right of ways to solve this shortcoming).

Corridor construction did not take into consideration these needs. Both of these shortcomings, in addition to related issues (e.g., increased highway congestion) will need attention soon. As we consider TEA-21 reauthorization in 2003, the challenge will be to retain the corridor’s momentum as a successful freight project, while at the same time applying the lessons it has taught us.

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