Sneak preview

Warning signs call for pre-emptive improvements to overwhelmed transportation network.

By Theodore Prince

For a few short days in November, we watched as two major news stories with direct impact on the transportation industry unfolded. Congress passed — and President Bush signed — legislation creating the Department of Homeland Security. The International Warehouse and Longshoreman Union and Pacific Maritime Association announced a tentative six-year contract.

We may be tempted to believe these two events mark the end of traumatic times for our industry. Some might even assert that these developments represent the triumph of government over seemingly insurmountable problems. Both notions are probably flawed.

The new department becomes official this month, but it’s anybody’s guess when it will truly be functional. Even though the legislation mandates early 2004 as an operable target, merging 22 federal agencies with 170,000 employees will likely take much longer. For those individuals in transportation, affected agencies include the Coast Guard, Customs Service, Immigration and Naturalization Service and the year-old Transportation Security Administration.

The tentative West Coast labor settlement between the ILWU and the PMA grew out of a Taft-Hartley cooling-off period and federal mediation. Eight weeks earlier, the nation learned that the economy was threatened by the cessation of ocean borne international trade through the U.S. West Coast.

Our world has been transformed by containerization. The microprocessor revolution (which was predicted by Moore’s Law) has delivered less expensive and better technology. But engineering and manufacturing and delivery are extremely different activities. The economic revolution in Asia was significantly enhanced by a reliable and cost effective transportation solution. Containerization and intermodal (the movement by rail and/or truck between inland and port) were key components of the Asian economic miracle of the last 30 years.

The West Coast lockout idled the intermodal network — trucks, trains and vessels representing investment of billions of dollars. Cargo representing billions more was sitting — and in some cases spoiling. Retailers who had studied and adopted just-in-time supply chains over thousands of miles scrambled to supply stores for the Christmas rush, while factories lacking parts shut down. Some experts put the daily economic cost at more than $2
billion. These costs represent the flip side of the economic benefits (i.e., low inflation and real income growth) acquired through international trade — now estimated to be 25 percent of our total economy.

Things could have been worse. The labor action was no surprise. It was, in fact, expected, and many companies had increased their inventories in advance. Additionally, the slow economy created a lower inventory demand than might have been. The economic impact should serve as a wakeup call.

On Sept. 11, 2001, our government grounded the entire commercial aviation system. Four days later, the system was airborne again. This was possible because airlines (whose assets measure roundtrips in hours) can reset their network every night. Surface transportation cannot respond as quickly. The stranded assets take much longer to reset. While trucks (roundtrips of four to 96 hours) can recover in days, the railroads (roundtrips of two to 10 days) probably take weeks, and the shipping lines (roundtrips of 28-63 days) will take months.

Any terrorist act delivered through the freight transportation system would probably result in a more disruptive shutdown than we saw on Sept. 11. All coasts — not just the West — would most likely be locked down. Canadian and Mexican port alternatives would not be viable because all borders would be closed. Such a tragedy could bring the entire economy to a rapid halt. To add a degree of difficulty, draconian security imposed today to prevent such an act tomorrow could overwhelm the existing infrastructure and result in system gridlock.

The Council on Foreign Relations recently asked former Senators Gary Hart and Warren B. Rudman to update their task force findings, which had presciently predicted the Sept. 11 catastrophe. Their new report, America Still Unprepared — American Still in Danger, found serious security problems to be common and made six major recommendations. The second one was to make trade security a global priority. Ninety-five percent of non-North American trade moves by sea, with container traffic and energy imports concentrated in just a handful of ports. The American Association of Port Authorities has estimates the cost of adequate physical security to be $2 billion — yet only $92.3 million has been approved.

The security issue serves to highlight the infrastructure challenges. Deregulation of transportation has greatly reduced excess capacity. Under regulation, overcapacity became a specific public goal. Carriers had protected business segments in exchange for maintaining excess capacity, which could be called upon in times of national emergency. Today, gridlock worries are common. West Coast ports were overwhelmed after a halt of eight days. Still, freight traffic is forecast to double by 2020 — and there is no clear path on how we will manage the growth.

The Transportation Equity Act for the 21st Century (TEA-21) comes up for reauthorization in 2003. Over the past 45 years, government policy has evolved from building highways to developing integrated transportation solutions. Finding further intermodal solutions must become a priority. A recent study for the U.S. Department of Transportation, Intermodal Access to U.S. Ports, found that “port access conditions are generally acceptable today but may not sustain continued cargo growth and international trade.”

The transportation network has exhibited warning signs of being overwhelmed in recent years. It is now time for our intermodal transportation system to make pre-emptive improvements. Lasting solutions to infrastructure problems require long lead times. Freight transportation concerns have for too long been considered less important than passenger concerns. It is often said, “Freight doesn’t vote.” But unless we begin a dialogue now on needed system solutions, the next disruption — or, for that matter, healthy economic growth — may have devastating effects on our economy and nation.

Theodore Prince can be reached by e-mail at ted@oax.com.