

AAPA Shifting International Trade Routes-1/16/09

Comments of Lillian Borrone

INTRODUCTION

Good Morning. I am Lillian Borrone, former Port Director and current Chair of the Eno Transportation Foundation Board of Directors. The Foundation is a privately established, 86 year old non profit 501(c)(3) organization. Our mission is to identify emerging transportation issues, act as an objective forum to educate public and private policy makers, and contribute to solution formation through policy forums, educational undertakings, providing data resources and reports.

Thank you, Jean, for inviting me; I am pleased to be with you this morning to moderate this panel of distinguished industry leaders.

Our job this morning will be first to look at the present situation and discuss how we are dealing with the impacts that the last 8 years of trade volume growth and trade lane shifts, brought about by accelerated globalization, created on our highway and rail corridors; at our Port as well as rail and truck terminals; and, at the distribution centers.

We also want to discuss our thinking about the future. Given the deceleration of the velocity of trade growth as a result of the economic correction underway, the strategic directions taken by carriers and sourcing entities may lead to some additional dramatic shifts in trade flows. How can we best position and prepare?

Yesterday's conversations were enlightening and more encouraging than I anticipated. A number of insights were conveyed which may help to set the context for our panel members.

From an economic perspective the message was consistent-the downturn, volume declines and restructurings will probably last 2 to 3 years then we can expect to see growth built on continuing population growth and consumption/demand.

Rodolfo Sabonge speaking for the Panama Canal and Dr. Elsadek offered us Behavioral models. They discussed the investments each of the Canal Authorities are making in their facilities and the expected impact those will have on the US Gulf and East Coast ports, as well as on the Pacific Coast ports. We also heard from Jerry Bridges and Derrick Smith about rail system investments and of course, we heard from shipper and port representatives about their investment activities or plans for facilities and transportation system linkages, including channel deepenings, to prepare for the upturn.

We heard about strategic information sharing; about outsourcing, shifting of sources; about carriers broadening the number of ports called, about distribution and warehousing shifts and a great deal about the need for us to embrace environmental sustainability.

The panel on Trade Lane Competition reinforced the understanding that market sourcing shifts are impacting flow and that carriers have taken expected and understandable steps to reduce their carrying costs (laying up vessels, deferring acquisitions, changing services and rates) to protect their business.

The panel on Infrastructure challenges spoke eloquently about the physical, social, political and financial needs confronting the industry.

And the panel on Private Capital not only let us know what difficulties have to be overcome but also that there are options available which we can use if we are prepared to do business differently and position our Ports and businesses politically to make those options work.

I was particularly struck by the dialogue throughout the day about the need for more, better, new and more creative partnerships.

I would like to offer just a few additional observations to stimulate your thinking before we turn to our Panelists.

Today, this panel will pick up on many of these themes and ideas and discuss the impacts these circumstances are creating in our larger communities and regions and how business is dealing with them. I asked that the panel members speak about the steps they are taking to envision and prepare for the future and what lessons they have already learned and which we can benefit from by hearing about.

Our intent is to pick up on some additional issues which were lightly touched on yesterday, such as, our understanding of new societal values; the growth of mega-regions and how to work through multiple political jurisdictions to achieve consensus; the need for new public-public and public-private partnerships especially as federal financing is now the minority share of funding (approximately 20% of highway and transit project funding); and, how to build viable surface system relationships in community contexts. Here I am most interested in understanding how we can link efforts to generate support for the seaport, airport and rail freight last mile needs through MPOs, State and Regional entities.

And, of course, how we can use models to help frame a case for stimulus projects to maintain/enhance infrastructure which will be needed to meet our 21st century needs not just because the road or transit mile or link exists today.

WRAP UP PANEL COMMENTS

Picking up on Rob Martinez's comment, I think it is critical that we recognize that we are at a unique moment in time.

We are about to inaugurate a new President who seems to be attuned to urban needs as well as the global economy.

We have a new Congress and new leadership in key Committee positions who understand freight needs and are about to frame both an economic stimulus package which we expect to be spent wisely and we hope, a new Surface Transportation bill.

The National Surface Transportation Policy and Revenue Commission report recognized that our national policy framework for developing our transportation system needed to change and it recommended far reaching changes to the policy and investment framework to achieve a broad set of important national goals to create the infrastructure our nation will need to participate in the 21st century global economy. "We need a system that ensures each project is designed, approved, and completed quickly; one that provides a fully integrated mobility system that is the best in the world; one that emphasizes modal balance and mobility options; one that dramatically reduces fatalities and injuries; one that is environmentally sensitive and safe; one that minimizes use of our scarce energy resources; one that erases wasteful delays; one that supports just in time delivery; and one that allows economic development and output more significant than ever seen before in history." *Transportation for Tomorrow: Report of the National Surface Transportation Policy and Revenue Commission, 2008.*

In the Interim Report of the National Surface Transportation Infrastructure Financing Commission, "The Path Forward: Funding and Financing Our Surface Transportation System" the Commissioners laid out a series of principles/criteria by which they propose to judge the funding mechanisms as to whether they can achieve the important policy goals the policy makers wish to advance. And, while they discussed the need for adequate investment in all modes of surface transportation, they particularly called out goods movement and U.S. global economic competitiveness and facilitating interstate commerce as key federal policy concerns.

MARAD just released a report on January 7, 2009 prepared by Global Insight in which it stated " Policymakers must better align the multi-modal transportation system of which the maritime system is a key part with the needs of the U.S. economy-an economy whose participants rely on a system of global supply chains and a highly complex coordination of people and equipment for the free flow of commerce to prosper."

We seem to be at a point in time where things may tip in our favor; and, to paraphrase Ross Gaudreault's comment in the latest issue of Seaports Magazine—" A thousand crystal balls would not be sufficient to predict what will emerge...but it will definitely be an exciting year."