

Perspectives on the Research Framework: Freight Stakeholders National Network

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I preface my remarks about the research framework by considering the word *research*. In fact, the word *research* is perhaps too narrow to describe adequately the range of tasks discussed at this conference. Our goal is to create a more efficient intermodal system. What is most needed is not research in the formal sense, but leadership—leadership based on facts and a deep knowledge of intermodal operations.

Frankly, we already have before us many of the “facts” we must have if we are to make intermodalism work more efficiently. We also have much of the basic technology. So we do not really need to go out and reinvent the wheel. We need to leverage what we know with, in some cases, technology to build new partnerships that get the job done. I would suggest that a successful intermodal strategy for the nation will come from leadership and partnerships.

Today I will discuss three topics. The first involves the market forces that impel us to make improvements in our ability to move intermodal freight. The second involves the freight industry’s need for partnerships of two types: innovative partnerships in the private sector and effective, targeted partnerships between the private sector and the public sector. In this regard, I aim to speak on behalf of the Freight Stakeholders National Network, which is a coalition of freight carriers and shippers formed to improve freight transportation in our cities. Finally, I will offer a few personal observations about elements of the research framework draft, with a view to illustrating the types of partnerships that will enhance intermodalism.

We have already spoken about many of the pressures on the intermodal system. Speaking on behalf of people who move freight, I would highlight one basic fact: we are going to be moving increasingly larger amounts of freight for the foreseeable future. A recent study by DRI/McGraw Hill, commissioned by the American Trucking Associations Foundation, contains a baseline account of the size of the U.S. freight transportation industry and a 10-year forecast for freight growth.

In 1994, the baseline year, the U.S. freight transportation industry overall generated \$463 billion in revenue and moved 9.9 billion tons of freight. By 2004, with only a modest 2.6 growth rate in GDP, this will grow to \$574 billion in revenue and 11.6 billion tons—a cumulative growth rate of 24 percent and 17 percent, respectively.

Seventy-eight percent of that freight (by revenue) is moved by trucks. Over the 10-year period, the number of over-the-road tractors will increase by 13 percent; both the total number of miles driven and the total volume of truck tonnage will grow by 29 percent. At the same time, the most explosive growth will come from air freight and rail intermodal. DRI forecasts that air freight will jump by 93 percent over this period and rail intermodal by 53 percent. Air and rail intermodal will erode several percentage points from the overall market share of trucking. The bottom line is there will be a significant growth in freight transportation overall and with it, more pressure to make our freight transportation infrastructure more efficient.

It is important to focus for at least a moment on the word *freight*. We are here to speak about intermodalism, but I would like to suggest, as a bit of a contrarian, that our focus on intermodalism can be somewhat misleading. Speaking more precisely, our core objective should be moving freight more efficiently, not simply improving intermodalism. Intermodalism tends to make people focus more narrowly on connections. To be sure, as Jeff Crowe said earlier, one of the crucial problems with intermodalism is precisely in the pass off, not just between the modes, but between the modes and their customers.

But, in a way, intermodalism is a transitional point of focus. It shifts the emphasis from the single modes toward discussion of moving freight end to end. The words *logistics* and *freight* keep the focus on the real bottom line. Public policy makers must focus on the entire supply chain, as has industry in recent years. Developing strategies to improve intermodal movements is a subset of the larger task of improving freight transportation.

To improve freight transportation, we have to form partnerships. It is pathetic how often you can hear that word—*partnership*—invoked, yet how seldom you see true partnerships in the real world. Nonetheless, the real thing is just what is needed. We are getting better, but it is slow work. There are two categories of issues for which the freight industry needs to develop better cooperation. We need real partnerships for common public policy objectives and we need real partnerships that will deliver operating efficiencies.

Today freight does not move with maximum efficiency—particularly intermodal freight—in part because carriers have not yet learned well enough how to work with each other. There is a history of conflicting cultures, modal hostilities, and business competition, all of which have made it difficult for us to tackle freight industry problems.

Will we get past this? Yes, but it will entail a reeducation process. It is a process we are experiencing, and it is pretty darn tough; but I think we are making some progress. As an illustration, an agreement about the need for private-sector partnerships that are focused on common public policy objectives has given birth to the Freight Stakeholders National Network. The Network is an alliance of carriers and shippers. It includes the modally based national trade associations for the railroads, the air cargo industry, ports, and trucking. It also includes the Intermodal Association of North America and shippers—the National Association of Manufacturers and the NIT League.

What is our purpose? In short, to improve freight mobility in metropolitan regions. The Intermodal Surface Transportation Efficiency Act gave metropolitan planning organizations (MPOs) a new and substantial grant of authority and an expanded role in making freight move efficiently. Do they know how to do it? No, not so well. Are they eager to try? For the most part, clearly yes. Does the freight industry know how to make it happen? No, not yet; but we are learning.

The various modes and individual firms first tried going it alone. They tried working with MPOs, state and other regional planners to improve freight mobility, tried inserting themselves in the local planning process. It just did not work very well. It was like pulling taffy. So eight national associations decided to leverage their resources and work together to build locally autonomous freight advocacy coalitions that can work with regional governments to make freight move more efficiently. We did not invent this idea, it was already happening in several places across the country; but such stakeholder coalitions need to grow, and grow stronger.

In effect, we must build new institutions to deal with new opportunities and new problems. The freight industry must itself create these institutions where they do not exist. I would like to suggest, perhaps somewhat selfishly, that the private sector needs to take control of its own public policy future. We should not wait for policy makers to tell us what they need. We should be more proactive in promoting freight mobility.

There is also a considerable need for the freight community to sit together and solve the industry's operational problems—to seek efficiencies in electronic data interchange (EDI), terminal operations, asset use, container tracking, and similar matters. Let me give one example of an operational issue masquerading as a policy issue: overweight containers. Congress passed legislation to sort out the problems related to the movement of overweight containers and the U.S. Department of Transportation (DOT) has been struggling with implementing regulations. The real problem is that the freight community has not found a common approach to the very real operational issues that will make the legislation work. We need to do that together; in fact the freight industry is now negotiating among themselves to achieve that end.

Let me turn, then, to the research framework to say a word about four of the seven specific strategies. At the risk of repetition, to make the framework successful we must create new partnerships.

1. *Remove institutional barriers.* The first strategy is to remove the institutional barriers to efficient freight movement. DOT is really the federal agency that has to take the lead in cracking that nut. It must be the source of leadership in identifying institutional barriers and then exploding them. The Intelligent Transportation Systems (ITS) program, for example, is very much focused on that objective. Transportation users need more coordination and stronger partnerships within the government at all levels and—only after that—the focused involvement of the freight transportation community.

To give you an example, DOT has an ITS demonstration project under way to apply information technology that will make truck border crossings more efficient. It is a great idea, but the U.S. Customs Service was not part of the initial plan. At the same time, the Customs Service is deeply involved in the development of a complex EDI modernization program with industry. We need to loop these elements together. DOT must be the advocate for making such connections.

2. *Strategic partnering.* The freight industry can certainly profit from strategic partnerships with government, which will, of course, take many forms. All too often we look at the government exclusively as a regulator. We are worried more about what they are going to do to us than what they can do for us or what we might do together. This is a gap that has to be bridged. Much of the proposed intermodal research framework is aimed at trying to bridge that gap in a coherent and intelligent way. But even on the regulatory front, those who are regulated must grow new relationships with the regulators.

The freight industry looks at the U.S. Department of Defense (DOD) somewhat differently. Rather than a regulator, DOD is a customer—either a potential customer or an actual customer. Partnerships with DOD to promote freight mobility are typically going to be relationships of a different sort. It is probably easier for the freight industry to build that type of partnership because they are more adept at working with customers.

In dealing with DOD, we have to make some distinctions about customer relations. There are some services the freight industry can provide and other very important transportation services that are beyond our capabilities. We can, for example, help the Defense Logistics Agency operate their delivery structure more efficiently by applying state-of-the-art logistics techniques or outsourcing certain functions, but we cannot deliver freight to a theater of combat and into a foxhole. So, since clearly we cannot do everything that DOD needs to meet its logistics requirements, we should therefore explore how far we can go to meet defense transportation needs. It is probably a heck of a lot farther than the military community anticipates; there are certainly more options than they are currently using, but not full functionality.

3. *Technology investment.* I would simply say that the technology investments needed by the freight community are mostly an obligation of the private sector. Government should be cautious in this area—that is, ask first whether there is an indispensable government function. However, the government does have an important function to serve in stimulating technology research with practical applications.

Numerous examples could be given in the ITS area, but perhaps one related to national defense will suffice. One of the Holy Grail issues for the freight transportation world is in-transit visibility of container movements—tracking container movements throughout the freight pipeline. In this area, DOD and the private sector have the same basic need. I am ter-

rifically excited about some of the technology prospects here, and I think we will see low-cost, accurate solutions before long. Industry will connect the ocean shipping data bases that track containers to the trucking data bases and the rail data bases, and they will make this information available in real time to the shipper, who will be able to obtain data on container location globally via the Internet. DOD can accelerate this process, perhaps by sponsoring a demonstration of the technology. If it works well, DOD can spur development by making such capability part of its contracting with the industry.

4. *Improving system capacities.* With the substantial growth in freight movements as forecast by DRI, relieving congestion and improving the capacity of the transportation network is even more pressing. Already there is a massive backlog in needed highway and bridge construction and repair. Dredging ports, improving rail crossing safety, and other capacity improvements will be essential if we are to meet the transportation needs of tomorrow. Effective strategies to improve system capacity of the public infrastructure are an indispensable task of government, deserving aggressive support by the entire freight industry.

When building system capacity, it is helpful if the government can support market forces rather than try to alter economic demand. By liberating and stimulating market forces, we will see intermodalism, and freight transportation generally, prosper.