

the position of being available, of wanting to serve, and when a port comes up with an idea, such as the inland terminal that the port of Hampton Roads has developed, we are glad to participate in that.

We won't trade one port against the other, and we are obviously reluctant to appear to be favoring any one of the many fine ports that we serve over the other, so we have maintained that. We indirectly serve some ports that are very significant to us, for example, our rail lines do not directly access New York, but we have a service to New York, working with joint-line routes to Buffalo and then on to New York via other rail lines.

So we have all these kinds of interest that lead us to making our own private investments in places where we can facilitate the flow of traffic and make our own public statement in terms of port support.

I will just conclude by saying that I think the private sector has a very clear role to play in the development of the infrastructure of our ports. But I would hope that you would agree that it's fair that the private role can and should be driven by competitive factors within the transportation business and by the ability to make a return on the investments that are required to serve the competitive traffic. I thank you very much for the opportunity of participating in this segment.

#### **TRUCKING PERSPECTIVE**

**Robert E. Farris**

**Vice President, Policy**

**American Trucking Associations**

Isn't this an exciting time to be involved in transportation? We are going through a metamorphosis in this country, unlike any generation has dealt with in the past. It's disturbing to some, challenging to others and provides windows of opportunities to still others.

We're in this global village whether we like it or not. We're going to be using products that we will not know where all the parts came from. It may be assembled in the U.S., it may be assembled in Canada, it may be assembled in Colombia and we need to get accustomed to that. We need not wring our hands over the fact that some foreign-owned company may serve us a hot-dog in Yellowstone. These symbolic, parochial barriers are going to have to come to an end, and it's going to have to happen in transportation also.

My good friend from Norfolk and Southern and the industry that I now represent, the trucking industry, seem to have a quadrennial dance that we go through, where we kick dirt on each other's shoes and point fingers and have big fights, then when it's finished, we end up doing business with each other!

#### **Call for Efficiency**

It's a strange environment we find ourselves in and I listened this morning to the very fine presentations that we had, and one of the things that came at me as I listened to the California scene is that what we're really talking about is the movement of products.

In or out of ports, by truck, by rail, by air, we're looking at taking products to be assembled somewhere, that involved the movement of raw materials to that point and then the transportation of the finished product to the point of purchase. How we execute this interesting little phenomenon is what we depend upon in our capitalistic system; that is, the transportation of a product to someone else at a price slightly higher than it costs for us to produce it. That produces a profit and that's what drives the whole machinery in this great country of ours. So what we're really talking about is trying to perform that movement of goods and product in the most efficient fashion we possibly can.

In the U.S., we do not have a nationalized rail system. Thank heaven for that, and for darn sure we don't have any government-owned trucking company. We compete, and it's competition that has produced one of the most efficient movements of product that this world has ever seen. In the last decade, the cost of moving product in this country has gone down, in real terms about 18 percent.

There are those in the trucking industry who complain that their margins are very thin, much thinner than the railroads'. That is true and it is hoped that margins will improve in the future. But what has happened is that we are now producing products that are competitive in the international market. We are making good products, and we are moving them to market efficiently.

#### **Foreign Investment Stimulates the U.S. Economy**

I listened to a presentation just yesterday from a major tire manufacturer, owned by the Japanese conglomerate. They are producing tires in the U.S. of higher quality than that same conglomerate is producing in their homeland. They now want to bring to their homeland the key American engineers and managers from the U.S. company to help the Japanese produce a better product. Isn't that interesting?

I watched in Nashville, Tennessee, the development of the Nissan plant and now watch General Motors take them on with Saturn. Very healthy!

But what we have got to do in the transportation field is to make sure that we are giving every opportunity for these growing facilities and product producing entities in

the U.S. to move their products and goods not just as well as they move them in our competing countries, but better. We are competing with Germany, which is about the size of the State of Wisconsin. The movement of product in their country is much less of a cost factor for production of a finished product than it is here. We move products long distances and we need to work as a body of policy makers and policy initiators and leaders in the private sectors, to not just have a collegial transportation system, but a better one. If in fact, we want our salaries to be collegial and our way of life at least collegial, if not better. That means that our percentage of costs of moving products needs to be less.

### **Time Factor is the Bottom Line**

One of the factors we are continually dealing with in this country is time. With all the facility requirements, the Alameda Corridor, as well as dredging up ports, building new docks, laying new rail lines, improving our highways, perhaps the most important factor being considered today in logistic cost is time! How fast can we get it there?

An interesting phenomena has occurred in this country. We're handling our products differently than we use to. Our warehouses have all but disappeared, we have developed real distribution power now. Products are now on the shelves and are not sitting in the back room. You walk through somebody's modern, new manufacturing facilities, and there's practically nothing sitting in storage in that plant. They're gauging the arrival of raw materials within very short time frames. The Saturn plant in Spring Hill, Tennessee has windows of delivery for their raw materials at their loading docks within 15 minutes. You walk through the Nissan plant in Smyrna, Tennessee; you see their products almost in constant movement. As they negotiate contracts with the manufacturers of windshields, windshield wipers, seats and other components that go into their vehicles, contained in these contracts are specific delivery commitments!

Now more than ever we're measuring the value of the products in this country in terms of time. So, in working together, we in the transportation business need to keep this in mind.

We're faced, however, with many incidents concerning the usage of some of our facilities and ports. That is, we've got a capacity problem. Yes, we've got a capacity problem that our growing economy has produced! Our nation's highways, our ports, and our airports all are straining to meet demands. In addition 65 percent of all communities in this country have no rail service because

the railroad companies condensed their rail corridors through market-driven management decisions. As a result, rail today is a highly efficient, regional-type rail structure. There is no transcontinental rail system in the U.S. today, but they interface. And we interface, the trucking side with rail. Intermodal movement is a growing factor for both of us, and it is becoming very profitable. It's an efficient system, generally, but we can and must make it better. The question is how do we do that? How do we take care of our highway systems, and how do we do it in a way that we can keep our time factors as manageable as we can, as efficient as we can, to provide this just-in-time inventory requirement that we're all dealing with?

Ladies' clothes are no longer stored anywhere, they're cut to order. I was in the "rag" business, and know a little bit about the textile industry. Today you go out and get orders and you bring the orders back and you cut to those orders. You don't build a big inventory in "hopes" of sales; no, that results in "closeouts" and a big sale at the end of the season. That's one of the things that may help us in this recessionary period, to have what we call a "soft landing" rather than a bust. We don't have a lot of excess inventory sitting around anywhere because of this trend toward just-in-time inventory management.

### **Infrastructure and Management Needs**

As we look at needing better port facilities, needing a new airport, fixing up our highways, what we're really getting down to now is dealing with domestic resource allocation.

We also have to face that we are unable to have an infinite capacity to produce capital wealth. The ability to do that has some finite limits. Maybe we have the opportunity to do it better than most places in the world, but we can't solve all our problems by throwing money at it. We've got to become better managers of our resources, and our capital, transportation systems, our trucking companies, our railroads, oil companies, and use of our energy resources. We've got to become more concerned with managing our resources because we are all going to be struggling within the public crucible of trying to get our little piece of those resources. That's part of the marketplace initiative that we've nurtured and try to protect in this country.

We've got to understand that if we want additional federal funds, we've got to say we'll be for additional federal taxes. We cannot continue the route we have laid out for ourselves of spending more money than we've got coming in. That's got to come to some reasonable end.

Please know that process was not a new-term phenomenon. Having been part of President Reagan's Administration, and having to defend the bashing that we got for contributing to the deficit (and we did our share), I hasten to point out that every budget we sent to the "Hill" was increased by the U.S. Congress. That process was first initiated in 1932, during very desperate times, when we were propelling ourselves into a serious depression. I think this was the first real indication that we had of this "inter-linkage" of the marketplace on a global basis.

When you go around the world, go to New Zealand or Australia, they talk about the Great Depression that occurred at the same time we were having ours. But in that process, we discovered that we could pump the economy up a little bit by shoving in some "borrowed" money. It worked, and we liked it! We've liked it so well we've kept it up since 1932, unabated except for eight times. We've borrowed money every year except those eight times and it's finally caught up with us. It's that cumulative debt that is choking us.

Keynes said that we could get away with this process for a while, and I think we did for a while. It is reasonable to fund major capital projects through debt financing. States do it, counties do it, cities do it, but the insidious problem we've got ourselves into in the U.S. is that we fund recurring expenses by debt.

When I served as your Federal Highway Administrator, we were borrowing money to pay my salary. We've got to understand that is an insidious consumption of our limited capital that we've got to bring under control. We know how to do it, it's not a magical formula, we just don't have the will to do it. But as we look at our needs factors, and new ports, new highways, new access, we've got to know that we are competing in a crucible where great demands are being placed upon our ability to produce wealth. And we've got to be a part of that factor, so I go around the country talking about the new highway bill and the needs that we have on our road systems in this country and they're enormous. I also remind people that governments at all levels are strapped for money.

We need to reach a \$100-billion-a-year level in total spending and today we're somewhere around \$65-70 billion. Where's the difference going to come from? Spend the money in the trust fund, is part of the answer. We need to know, however, that every time we advocate we are projecting ourselves into Medicare, Medicaid, aid to dependent children, research on AIDS, debate and all of the other service demands that are important to us as a nation. One of the things we have got to understand is that somebody has got to assume the responsibility of governance in this country. We must begin to deal with important public policy issues that relate to resource allocation. We've got to do it on the private side, and I think the U.S. industry, however, is out ahead of the government at this point.

U.S. industry today is leaner, tougher, and meaner than it use to be. It has made some tough decisions that Congress and the public sector seem unwilling to make. We've shed useless weight, people who are not productive are reassigned, retrained, or in some instances, relocated.

We're going to have to be smarter people as we enter in to this next century and part of that process is moving our freight and products in an efficient and productive fashion. The trucking industry will do its share. Trucks today move almost 70 percent of everything grown and produced in this country. Even in intermodal movements, it is the truck mode that makes the intermodal work. We're the ones that generally pick it up and deliver it. In that mix we may move some of it on rail, when rail can move it better than we do. In that instance, we ought to, and where we move it better than they do, we will. That's the way the system works.

### **Competition Improves Efficiency**

Public policy makers need to be very careful that they don't tinker too much with our economic system. Competition produces the best in what this country has got to offer. It's competition that builds double-stack trains. It's competition that produces more efficient trucks. It's competition that produces intelligent vehicle systems, EDI and all of the things that will ultimately make the cost of moving products less and more efficient in this country.

Ports have a role to play. Intermodal movements have a role to play, but it all boils down to the challenge of resources allocation.

### **PORT PERSPECTIVE**

**Erik Stromberg**

**President**

**American Association of Port Authorities**

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We welcome the timely focus on port access in this panel and the several panels which will be dealing with this issue within the course of the next several days. For the ports, there are few more important issues than efficient land-side access to our ports or marine terminals -- an issue which has emerged with our evolving integrated transportation system. These new land-side demands on ports are creating a tension in our industry that will affect the competitive dynamics in our port system for years to come.