

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**

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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.

## Port Efficiency Redefined

Once such pressure involves rethinking the definition of an efficient port, which now has to be seen in different terms. Efficiency can no longer be defined as how well the port moves cargo between point of rest and the vessel, or even in or out the terminal gate. An efficient and competitive port must now be described as one through which the cargo is moving at optimal efficiency from sea lanes to or from the surface transportation system, whether that be by rail or truck. Congestion, either in access to the port by sea or land, has efficiency implications affecting the competitiveness of that port. As the transfer platform at which cargo comes to a stop in its journey, ports are under pressure to operate with maximum efficiency. With inventory controls being exercised enroute by the cargo interest, but beyond their terminal areas, ports are reexamining the entire transportation system they ultimately depend on, even though these systems are often beyond their immediate control or jurisdiction.

The California we have just heard about is illustrative in many ways of the problem ports are either currently facing or will in the future.

## Port Diversity

The San Francisco Bay-area ports provide a very good example of the diversity of U.S. ports, with their various operational and institutional structures. Ironically, if there is one common denominator reflecting our ports it is, in fact, their diversity. Ports reflect their local culture, economy, and politics, all of which yields the unique entity known as the "public port authority."

I would like to address briefly the definition of a port, especially as a previous speaker has referred to expectations regarding the responsibilities of a port. In this regard, the fact that should be kept in mind is that, when you look at a harbor, the port agency owns and controls a very small percentage of the waterfront -- typically 5 to 10 percent. Ports, then, do not have the institutional authority to serve as a planning organization with unilateral decision-making authority over all harbor development and activities.

However, ports can play a role in identifying the need, and perhaps take the lead in facilitating, planning and communication among the various federal, state and local agencies and the private sector which owns or is responsible for the waterfront and navigation channels. If improvements in the safe and efficient operation of the port in its broadest sense are to be realized, the effective coordination of all public and private sectors organizations and interests is essential.

## The Public Side

Institutionally, ports have a split personality. Ports are created to achieve public goals, but they are set up to operate with business-like efficiency, ideally minimizing reliance on public subsidy, at least on the operational side. However, the long-sought autonomy from governmental/political control is unsteady. The result often reflects an erosion of the ports' business goals, as the ports' various publics seek to get their own special interests on the ports' agenda. Moreover, port managers and their governing board or commissions must deal with a generalized negative public image, which further confounds the ability of ports to address such politically complicated issues as land-side access. This negativism or at best lack of any awareness or appreciation has to be overcome if our ports are to continue to develop and maintain the infrastructure necessary to support the nation's waterborne commerce.

For example, consider dredging and dredge material disposal. Dredging has a negative connotation even though over 95 percent of the material is clean according to the U.S. Environmental Protection Agency and may even have beneficial uses. Yet, dredging is absolutely necessary for our ports. All of us who depend on our ports need to work together to heighten positive public awareness and appreciation of our ports for the role that they play in transportation, economic development, and national security.

In addition, as public agencies, we are vulnerable to the demands of a city or state in a fiscal crunch usurping the retained earnings the port has set aside for needed future capital development. However, most ports and our industry as a whole are not noted for profitability. This too leads to a potential for greater public involvement. If a port's market share drops down even a few percentage points, then the port is viewed as a failure and there's more public demand to control its operations to protect jobs and related businesses in the community.

## New Challenges for Port Managers

On the commercial side the challenges are consuming. Planning and strategic management are necessary if we are to successfully respond to the inevitable changes in technology, economic regulation and global trade patterns. Yet, we can't control the direction nor scope of these changes. I am not saying this to apologize for ports, but we need to understand their limitations.

As developers of infrastructure, whether or not they operate those facilities, ports play a critical role for which there is no substitute. Ports have invested over

five and a half billion dollars over the last decade and we are looking at another three and a half billion dollars in capital investment for infrastructure in the next decade. This scale of investment has not and cannot be achieved by the private sector. Consequently, ports need to continue to have the public financing tools available to them (such as tax-exempt financing) if this public investment in infrastructure is to meet future demand.

My remarks so far have been very general. Let me now look at the important issue of landside access to ports. While this issue is, as we have seen, critical to many of our ports operations, its successful resolution depends upon the acquiescence of people and organizations outside the port's jurisdiction, and therefore, often beyond the port's ability to directly control. Mr. Hicks talked about the time involved in the consensus building, the creation of coalitions in the L.A. - Long Beach Corridor. That project may be prototypical in that a very diverse array of interests and separate municipal governments must be aligned to support improvements in the flow of cargo. Gaining the appropriate attention paid to freight is difficult enough, let alone support in the face of financial and environmental hurdles.

Freight, unlike passengers, doesn't vote. As a result, it's not surprising that landside access to ports has not been successfully addressed in our public policy debates even though it has been brought up and formally listed as a priority in major federal transportation policy initiatives at the beginning of each of the last three decades. The ports, therefore, welcome the AASHTO conclusions which again indicate the importance of this issue. The question, however, remains: How can we close this issue at our individual ports? That is, how do you get the attention of the state departments of transportation? How do you create a political climate where the ports are a recognized player, especially in the area of surface transportation, so removed from the usual forum of debate on port issues?

### **Developing Future Policy**

It's a long process. One tactic may be to have a nationally recognized and academically unimpeachable entity, such as the National Academy of Sciences address this issue. AAPA is currently cosponsoring a study with

the U.S. Department of Transportation that is documenting the extent to which landside access represents a problem in our national freight distribution network. Another tactic is to gain recognition of this issue with potentially some positive public policy initiatives established in the reauthorization of the Surface Transportation Act. We believe we are also making some progress on the legislative front.

Port access is a critical problem, and it's not just a physical problem, although the physical limitations are certainly very real and need to be addressed. It's an institutional coordination problem, and we've talked about the layering of institutions which have regulatory control over environmental issues and over land-use issues. Such layering can too easily lead to gridlock-layering and I hope what comes out of sessions such as this is an appreciation for the need for better coordination and planning.

Clearly, ports over the last decade have come to appreciate the role of strategic planning in directing port capital development. Ports have no choice in this competitive climate with the shortage of capital but to be very careful in resource allocation.

The ports were among the first to agree to a significant cost share with the federal government of channel development. We've been concentrating on the waterside access for the last ten years or so. But to get those water projects moving we had to kick in between 35 and 60 percent of the cost of those traditionally federal projects.

All we ask concerning landside access is a realization by states and the federal government that this is an important national issue. There must be incentives for the states to place landside access high on their priority funding list. We'd like to have a separate account created for port access projects, but we recognize that that's not politically very feasible.

I would like to conclude with a reiteration of the need to coordinate. I think that with the increasing dependency on public/private partnerships we can look to creating an improved port system with better access on both the waterside and landside. I'm pleased to take part in this conference with the various modal interests. Hopefully out of this week, we'll have a better understanding of what we have to do in the years ahead to improve our transportation system. Thank you.