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The Whole Story

■ Trade and Transportation

By Thomas O'Brien

If you're like me, your email inbox is full of news summaries from any number of news outlets. There's more information available to review on a daily basis than ever before. Of course, that makes it even more critical to be a discerning reader, otherwise you risk getting only part of the story, and it's often the part you want to hear.

Case in point: this past week I received two press releases from the American Association of Port Authorities (AAPA) on the same day. Both had to do with the health of the nation's trade sector. The first announced the release of a report prepared on behalf of AAPA by Pennsylvania-based Martin Associates on the economic impact of the nation's coastal port system.

The report is an update of a similar study done in 2007, prior to the economic downturn. It concludes that, between 2007 and 2014, tax revenues at all levels (federal, state and local) generated by the port and trade sector increased by more than 50%; jobs (both direct and indirect) generated by port-related activity increased 74 percent to 23.1 million; and personal wages tied to port-related employment doubled to $1.5 billion. The Martin Associates report also concluded that the average annual salary of those directly employed by port-related businesses is now roughly $54,000. Bottom line impact: the movement of cargo through coastal ports was responsible for more than a quarter of the US GDP in 2014.

The second press release was the other side of the coin. It presented the findings of a survey of port authorities as part of AAPA's *2015 The State of Freight* report, and cautioned that the health and well- being of US ports is threatened by a lack of investment in the landside infrastructure that makes port operations possible. The headline was that one-third of US seaports need infrastructure improvements in order to be able to accommodate growth through 2025, let alone longer term increases in trade volumes.

Landside infrastructure includes access roads, bridges, tunnels and rail corridors. Each of these has suffered as a result of increased traffic placing increased pressure on a network never designed for the amount of cargo now moved through the ports. While levels of congestion vary, one-third of US ports report that $100 million of improvements in their landside connections are needed in the short term.

In the absence of these improvements, congestion at the docks will translate into congestion at the gates which will then spill over on to the local road and rail networks. Intermodal transfer points can be particularly challenging bottlenecks. All of this has a negative impact on port productivity of course, but has broader implications for the supply chain as a whole. The AAPA State of Freight Report suggests that some ports in this country have seen a 25% decrease in productivity due to rising cargo volumes and the resulting congestion. They're not alone in making this argument. The American Society of Civil Engineers gave the US infrastructure a grade of D+ in its 2013 report card.

It's not surprising that the two AAPA reports were released at the same time. US ports should be touting their successes, particularly after a prolonged period of negative and/or flat growth in the wake of the economic recession. In Southern California, showing signs of recovery is even more important given the black eye the ports took as a result of the very visible impacts of congestion-related delays in moving cargo in 2014. The backlog is still being cleared.

While many people pointed to labor negotiations as the cause of the congestion, it was a much more complicated set of circumstances that caused the problem, circumstances that have not yet been fully resolved. These include equipment shortages exacerbating both the congestion and the resultant delays.

But they also included the impact of larger vessels discharging larger and larger amounts of cargo at peak periods, placing unprecedented demands on the system. If this fact was not highlighted in the AAPA report, it's perhaps because the audience for the State of Freight is not the ocean carrier but the policy makers (and consumers) who struggle to take on the added burden of paying for infrastructure improvements despite the costs of congestion and the benefits (environmental, economic and otherwise) of an efficient supply chain. So the ports are wise to offer a not so gentle reminder that business is good but could be better. Both messages need to be heard amid all the noise.

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