

Holiday Wish List For The Industry



■ TRADE AND TRANSPORTATION
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With the holidays fast approaching, we will once again be reminded how much we rely upon freight-related businesses to literally “deliver the goods” during the season. The air quality and congestion problems associated with trade are so great because the demand for goods and services is so great, particularly at this time of year. As we prepare our own holiday wish lists then, it’s worth considering what will make for a happy and prosperous New Year for the industries and businesses along the supply chain.

My best guess is that at the top of the list is a little more certainty. 2008 promises to be a year of transition and unpredictability in goods movement, neither of which is welcome. After all, logistics is about reducing unpredictability and variability, and increasing supply chain visibility so that we know when goods will leave point A and arrive at point B. A number of factors will make that a difficult prospect in the coming year.

The first question is what the recently adopted clean truck program will mean for the industry. Both the Ports of LA and Long Beach recently moved forward on a timeline to replace the aging drayage truck fleet. This will have tremendous air quality benefits, but the more difficult question remains: who will pay for it? The ports have also postponed the discussion of whether they will deny access to independent owner operators as part of the Clean Truck program’s development. As a result, the future structure of the local drayage industry is somewhat uncertain.

The drayage industry and the ports are already facing some uncertainty as a result of the rollout of the Transportation Worker Identification Credential (TWIC), the proposed smart access card which will be required of longshore workers and drivers requiring unescorted access to port facilities. Enrollment began last month in Wilmington, Delaware and in Corpus Christi, Texas and in early November in Oakland, Honolulu, Baton Rouge, Tacoma, and Beaumont, Texas. LA and Long Beach are scheduled to begin implementation in December. It remains unclear what the enrollment process and background checks will do to the numbers of workers and drivers needed to help keep the goods moving. As specifications for card readers are developed, it is also not certain what the new security process will mean for process time at the gate.

The next question is what impact pending ILWU contract negotiations will have on west coast trade. The current longshore agreement with the Pacific

Maritime Association which covers 29 ports in California, Oregon and Washington expires in July 2008. Any repeat of the 2002 negotiation process, which resulted in a lockout of dock workers and a backlog of cargo on the docks, would have economic implications not only for the region but the nation as a whole. The 2002 lockout raised the profile of trade in Southern California in a way that was not welcomed by the industry. It also contributed to industry concerns, reinforced by the 2004 peak season delays, that the cost of doing business in Southern California is sometimes too great.

Other factors that may influence the flow of goods in 2008 will actually take place outside of the region. Just as the timing of the Chinese New Year holidays helps define the “quiet” season at the ports, any other slow down in Chinese factory activity will affect activity in Los Angeles and Long Beach. Some sports officials concerned about the impact of poor air quality on athletes in Beijing for the 2008 summer Olympics have recommended that China close factories and implement traffic control measures for a three week period prior to the start of the games in early August. The mere possibility of that occurring might encourage shippers to adjust their schedules in a way that brings about an early peak. The same thing could occur if shippers fear a protracted contract negotiation process between the ILWU and PMA.

As if that weren’t enough, in October 2008 new European Commission regulations come into effect that abolish liner conference rate setting agreements and direct how ocean carriers can and cannot undertake cooperative actions. The new approach should look something more like the US regulatory environment in which the Federal Maritime Commission monitors liner shipping, port and terminal agreements. This move away from a more hands-off approach in Europe, and the likely legal action over the final provisions, could be unsettling to regional and worldwide trade.

Things may not get any clearer in 2009 when the impacts of the 2008 US elections should be felt. Add to that volatility in fuel prices and stock markets and still unsettling housing trends, all of which will influence consumer confidence, and you can see why the industry remains at a loss to predict if trade volumes will continue to grow rapidly or at the slower pace we have been experiencing in 2007. One thing is certain: the industry’s wish for some clarity won’t be fulfilled by this Christmas. That’s not quite the equivalent of a stocking full of coal, but there will certainly be those left wanting more. ■