

# Long Beach

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### The Front Lines and Fault Lines of Global Trade



#### ■ Trade and Transportation

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I recently returned from Washington DC where I attended the annual meeting of the Transportation Research Board (TRB). This is a gathering of some 11,000 researchers and practitioners from around the world, all of whom are involved in one aspect of transportation or another. At any time of the day from 7 AM until 10 PM you can attend a presentation, poster session or committee meeting on topics ranging from pavement friction to travel behavior. The trade and freight-related community at TRB is just as diverse, with representatives from trucking, rail, and the ports all present. LA Port Director Geraldine Knatz was a featured speaker at this year's meeting.

While Washington was celebratory in the run-up to the inauguration, inside the meeting rooms the mood was much more serious. There is no doubt that our concerns about the economy here in Southern California are shared by others all across the country and around the world. Fears about the eroding competitiveness of our ports sound similar to concerns expressed by planners and government officials from the East Coast.

The truly global nature of the discussion at TRB was a reminder that there are many front lines where the battles over trade are fought, and fault lines that can trigger economic disruptions on the other side of the world. Consider some of the events that have made news in the past few months. The ones closer to home will be familiar; but others from the East Coast, Europe and Asia are a sobering reminder that as a community dependent on trade for our livelihood, we are inextricably linked to the rest of the world.

Here at home, the Ports of Long Beach and Los Angeles announced that on February 18 they will begin collecting a \$35-per-TEU fee to support their clean-trucks program. Revenue from the fee will be used to help subsidize motor carriers for the cost of purchasing a new truck that meets the ports' strict pollution standards. This of course may yet be derailed by the Federal Maritime Commission, which objects to portions of the Clean Truck plan. However, the FMC may have an

even greater impact on local trade as a result of another issue with which it must grapple. The commission is considering a request from the Transpacific Stabilization Agreement (TSA) that would allow the 14 ocean carriers that comprise the TSA to use antitrust immunity privileges to reduce vessel capacity on trade lanes between Asia and the U.S. West Coast. The request, triggered by declining volumes, could raise the stakes for west coast ports including LA and Long Beach which compete for the same business.

On the East Coast another ocean carrier, Maersk, made news in late December when it announced that it would transfer business away from Charleston because the International Longshoremen's Association (the east coast counterpart of the ILWU) objects to the carrier's plan to transfer some terminal work to non-union state workers. The carrier accounts for some 25% of Charleston's cargo volume. Back on the West Coast, there is more potential labor unrest. Ports in British Columbia face a possible strike if employers and the ILWU can't agree on a new contract.

Labor issues are not unique to North America. This month, truckers at India's southern Port of Cochin instituted a weeklong strike in protest over new parking charges for vehicles entering the port area. The Port of Cochin is currently developing a transshipment container terminal with an annual capacity of 1 million TEUs. A labor-related disruption at any of these locations will have ripple effects throughout the supply chain.

At least labor and management are on the same side when it comes to the common threat posed by piracy. A global antipiracy workshop took place in London just last week to try to design practical measures to respond to the alarming increase in attacks on vessels in the Horn of Africa. As if a worldwide recession were not enough, ocean carriers now have to plan for the possible seizure of a ship and its crew, and what that means to the use of certain trade lanes and global trading patterns. Also last week, but this time closer to home, the U.S. Coast Guard began imposing conditions of entry on vessels arriving from Venezuela over concerns that there may be gaps in effective anti-terrorism measures at ports there.

Is all the news bad these days? Not necessarily. In the good news department, this month the new 1-million-TEU TraPac Container Terminal handled its first ship at the Port of Jacksonville. Jacksonville is building a second terminal with a similar capacity just next door. Of course, in a world of supply chain cause-and-effect, Jacksonville's good news may mean bad news for some of its competitors. What was that about business in Charleston looking for some place to go?