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The Goods Won't Move By Themselves

By Mike Jacob, PMSA Vice President & General Counsel

PMSA is proud to endorse the efforts of the industry, ports, and labor to respond to the current cargo congestion crisis as announced by President Biden this week ([see Statement by John McLaurin at PMSAship.com]), and we encourage more creative approaches to be piloted and evaluated until the congestion is eased. However everyone in the intermodal supply chain knows that these short-term and one-time efforts are no solution for long-term capacity constraints and congestion on the US West Coast. One thing that would help: actual federal focus, investment, and coordinated support for freight and the industrial transportation network which supports Pacific trade.

It is absolutely no surprise that the White House's announcement of business and labor efforts emphasized that the only real and effective short-term solutions to this congestion problem lie in the marketplace itself. That's why the most important, pertinent, and prescient statement made by President Biden in his remarks this week may have very well been his admonition that the voluntary opening by marine terminals of longer gate hours at the Ports in Southern California only has the "potential" to reduce congestion and supply chain snarls "because all of these goods won't move by themselves."

He is absolutely right, but perhaps more importantly it needed to be said. For every cog in the supply chain wheel, the business model is one that works best when it is recognized the least. When operating smoothly, the just in time international intermodal supply chain has been a modern marvel at producing efficient transportation across the globe at ever lower and lower per unit costs and lower and lower per unit emissions. This has given consumers – the ultimate driver of cargo volumes - worldwide the luxury of never needing to think about the health or infrastructure that undergirds the freight and industrial transportation systems that satisfy the demands of the 21st century global economy.

In fact, it is truly a compliment to all of us in the supply chain that we have pulled off the most improbable of feats: being both ubiquitous to the world economy and invisible to the world's consumers at the same time.

Unfortunately, COVID has exposed us, and laid bare the impacts of an unprecedented global demand surge that the industry and its port and labor partners could never imagined, envisioned, planned, or anticipated. One of the silver linings may be that the health and performance of the intermodal supply chain will no longer just be a theoretical and unseen concern, as political leaders can no longer take our supply chain's ubiquity, capital and labor, or capacity to absorb regulatory and infrastructure constraints for granted. Where once the intermodal supply chain was viewed as an insatiable well by many policymakers, now constraints and limits exist and the global consumer is demanding that they be addressed.

In that context, it is important for our federal leaders to step up and begin to invest in the infrastructure and policies necessary to truly facilitate future growth, ensure smooth operations of international cargo flows, and assist the supply chain to absorb the costs of future environmental improvements. Specifically, since our west coast ports continue to be the overwhelming gateway for our goods, maybe our nation should start investing in its infrastructure to match its patterns of consumer demand.

First of all, the overall national public funding and policy attention that is paid to facilitating the elimination of congestion, expansion of infrastructure, and reduction of negative freight and industrial transportation externalities has been historically and remains embarrassingly low. The paucity of actual, significant federal freight policy essentially left all of the funding of our freight infrastructure to the private sector to fund in conjunction with state and local government partners. The lack of federal focus was so acute that in 2010 the California Legislature adopted a resolution to ask Congress to adopt a national freight policy and to increase federal investments in freight infrastructure, congestion relief, and air quality.

Obviously, the lack of a national freight policy hurt West Coast trade. Self-help states like California and Washington who were left to bear locally the costs of both facilitating infrastructure investments and reducing negative impacts related to congestion and air quality without the benefit of full federal partnership in trade-supporting investment.

In response to calls like these there has been an increase in focus on trade and freight infrastructure and investment at the national level, but in many respects these new funding streams have actually compounded the lack of focus on how to ensure the success of West Coast ports. As pointed out recently by the Port of Los Angeles, since 2010 federal investment in Pacific coast ports has equaled approximately $1.2 billion, while federal investment in gulf and Atlantic coast ports have totaled $10.8 billion. After accounting for great lakes port spending, over 90% of federal investment has gone to Ports not on the West Coast. This is obviously incongruent with the actual cargo volumes being supported by Pacific ports of over 40% of our national container flows.

This is not harmless, rather the federal government's freight investment policies actually undermine our supply chain productivity. Because Pacific ports are essentially funding all of their own overhead, their ability to continue making self-help investments in infrastructure and environmental improvements is sabotaged when the federal government makes capacity enhancing infrastructure at other seaports which are competing with the West Coast for discretionary import cargoes from Asia. It is no coincidence that the West Coast ports' loss of discretionary cargo market share to East and Gulf Coast competitors continued during the past decade when federal investments have skewed heavily towards East and Gulf Coast ports which were expanding their capacity and ability to take this traffic from the Pacific trades.

So while we are seeing marketplace responses to congestion worldwide to short term congestion and capacity constraints, the responses from the federal government should not only be focused on how to help create capacity in our freight transportation system, but how to improve and expand federal investment in our freight transportation system strategically, fairly, and effectively. If the goal is to actually improve throughput and the reliability, resiliency, and durability of the existing system, then that should result in an abandonment of the current approach to trade where 90% of federal funds are effectively spent everywhere except where they would be most useful. It is, without a doubt, time for us to invest our tax money where we as consumers collectively demand it – at the containerized seaports on the West Coast.

And if we don't, the goods won't move by themselves.