

Current United States Transportation Activities to Address the Economic Downturn

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- **Research Agenda**

- **Intermodal Policy.**
- **Intermodal Workforce Development.**
- **Intermodal Economic Impact and Development.**
- **Intermodal Transportation System Performance Modeling and Assessment.**
- **Intermodal Terminal Operation**
- **Intermodal Safety and Security.**
- **Impact of Intermodal Transportation on Distribution System Design.**
- **Intermodal Transportation Systems Role in Crisis Conditions.**

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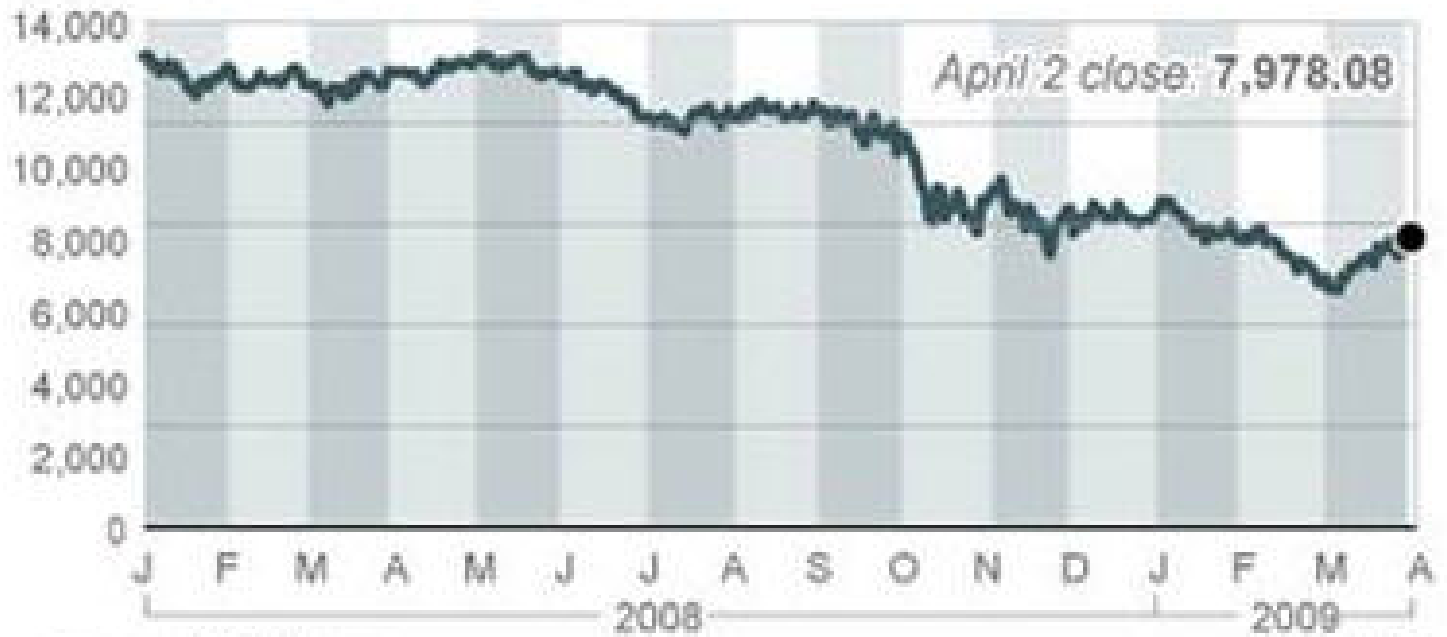
Topics To Touch On

- Economic Stimulus Package
- Severe Belt Tightening
- Reduction of Service
- Reduction in Force
- Some Investment in the Future
- Stimulus Package
- Some Best Practices
- A few recommendations

The Economic Picture

Stock prices

Dow Jones industrial average



Source: MSN Money

MSNBC

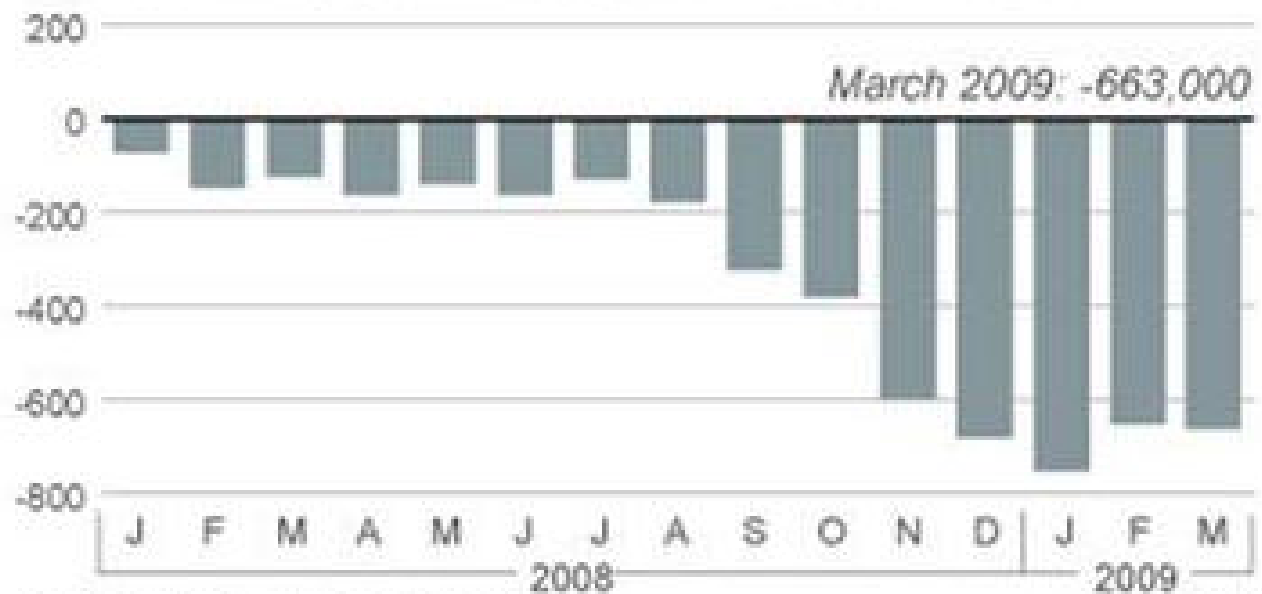
Unemployment rate

Monthly unemployment rate, in percent



Job losses

Monthly net employment change, thousands of workers



Source: Bureau of Labor Statistics

MSNBC

The Association of American Railroads said

- freight traffic on the tracks in April fell 23 percent.
- For the week ending May 2, traffic fell 24.5 percent to 253,573 carloads.
- Freight shipments have fallen by double-digits consistently since December.
- Intermodal volume fell 17.9 percent in April from a year ago.
- All nineteen carload commodity groups fell last week in comparison with last year.
 - Metal shipments fell most significantly - 62.1 percent.
 - Carloads of vehicles and parts sank 46.7 percent.
 - Coal fell 13.4 percent.
- For the first four months of 2009, carload traffic was down 18.2 percent.

Reduction & Consolidation Case Study

- Kansas City Southern railroad, which lost \$7.5 million in the first quarter of 2009, has furloughed some of the employees at its rail yard in Shreveport.
- KCS is also transferring approximately 130 people from Shreveport to its headquarters in Kansas City.
- Rail volumes were down 15 percent overall for its U.S. and Mexican operations as it recorded double-digit declines in each of its shipment categories, except for an increase for coal.
- Able to offset some of the decline with a 19 percent decrease in expenses -- including lower fuel prices and deep cuts to insurance, employee costs, purchased services and other expenses.

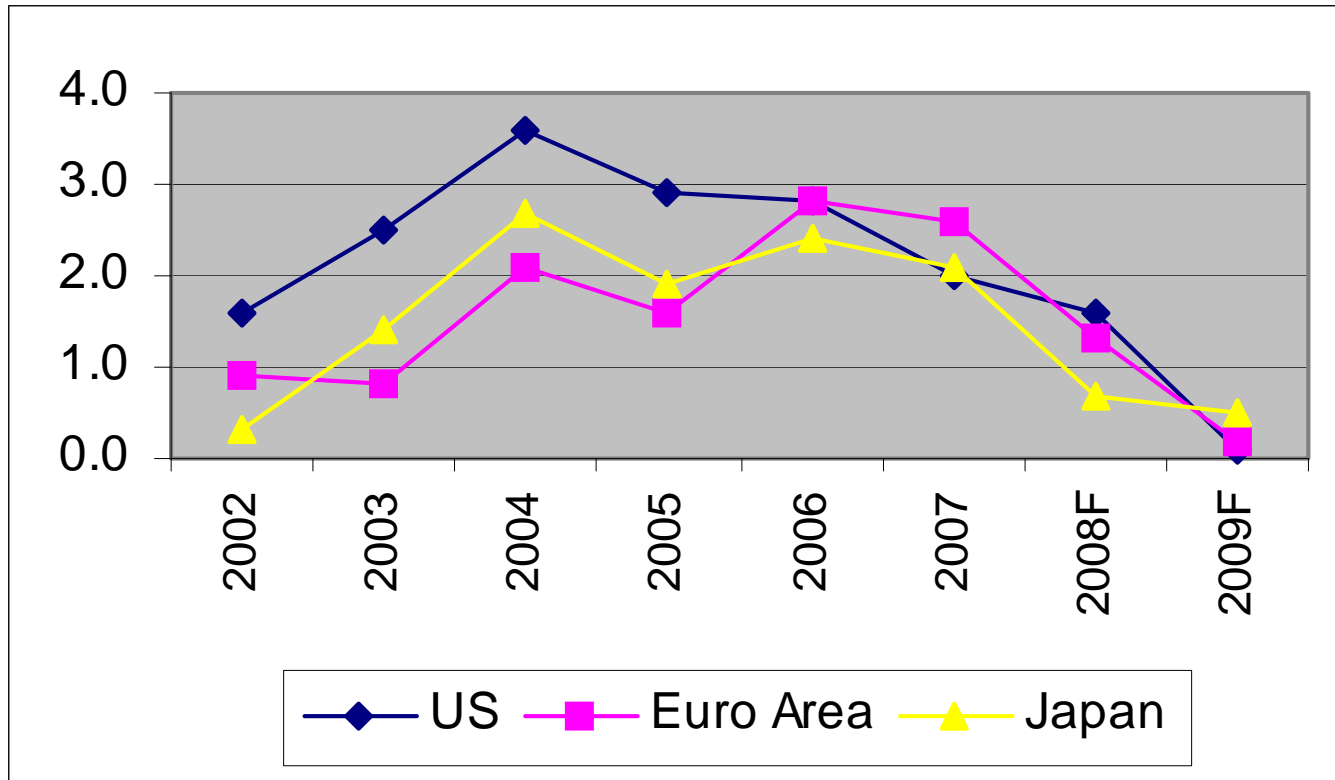
Class I Employment Lowest Since 2004

Railroads Scratch another 2,000 jobs, Class I railroads report to Surface Transportation Board.

- In reports for mid-March filed to the Surface Transportation Board, the seven top North American rail firms said their U.S. operations employed 154,960 workers, down from 156,997 in the middle of February.
- The latest reports shows they cut 4,551 jobs in the past two months from U.S. operations, and more than 9,300 since August for about a 5.7 percent reduction from the period before the financial crisis struck hard in September.
- While the Class Is said their mid-March levels were only 5.2 percent behind the same point in 2008, their train and engine crew counts were down by 12 percent.

- **JOURNAL OF COMMERCE, Big Rails Cut 2,000 More Jobs**
Class I employment falls to lowest level since August 2004
By John D. Boyd -- May 6, 2009

Global Economic Slowdown



The Response

- Massive spending bill
- Contained large sums for transportation



Stimulating Transportation

Highways & Bridges	\$27.5 billion
Invest in Rail (high speed)	\$9.3 billion
Invest in Public transit	\$8.4 billion
Local Transportation projects	\$1.5 billion
Air transportation	\$1.3 billion
Mass transit & parking	\$192 million

Total bill was about \$800 billion

Source: NYT May 10, 2009

Obama's Plan High Speed Rail



Other Stimulus Spending

- “Shovel Ready Projects”
 - Each state received a formula generated percentage of the



- The NSTPR Study Commission Final Report (2007) estimated that in order to maintain and improve the transportation infrastructure of the United States to adequate standards that the US should be investing about \$225 billion annually for the next 50 years for all modes of transportation.
- The U.S. is spending about 40 percent of that.
- it would cost \$140 billion in 2006 dollars to immediately repair every bridge that is deficient in the country (AASHTO, Bridge Repair, 2008).

National Infrastructure Bank

- The mission of this entity will be to not only provide direct federal investment but also to help foster coordination through state, municipal and private co-investment in our nation's most challenging infrastructure needs," according to budget documents.
- The budget, which must be approved by Congress, requests \$5 billion (3.5 billion pounds) for the bank in fiscal year 2010 which starts October 1, and anticipates that it will receive \$25.2 billion from then through 2019.
- When meeting with U.S. governors in December before he took office, Obama said the bank would be a top priority. During his campaign, he said an independent bank should receive \$60 billion over 10 years from the federal government.

Some Other Interesting Developments

Asian Pacific Economic Cooperation

APEC

China

Measures to Address Financial Crisis

In 2009, 700.7 billion RMB will be invested in railway fixed asset, including 600 billion in infrastructure construction.

WANG Zhiguo
Vice Minister, Ministry of
Railways
People's Republic of China

Measures to Address Financial Crisis

In 2008, the investment in Chinese highway and waterway infrastructure is about 793 billion RMB.

Measures to Address Financial Crisis

In 2009, Chinese Government will speed up the construction of missing links of inter province expressway, capacity enlarged intercity highway, port connecting highway, rural highway, important trunk course for ports, inland water course and the reconstruction of transport infrastructure in post earthquake areas. The estimated investment will reach 850 billion RMB.

Chinese Government has just declared the establishment of 10 billion USD ASEAN-China Investment Cooperation Fund to support the regional infrastructure construction.

Furthermore, to promote the integration of ASEAN and regional cooperation, within the coming 3 to 5 years, China will provide ASEAN countries with 15 billion USD credit, including 1.7 billion USD favorable credit.

Enhancing Cooperation Among APEC Economies

What next ?

- Work with APEC economies to enhance logistic supply chains ?
- Work with Regional Economic Integration to enhance competitiveness of the whole logistics supply chain ?
- Ensure that logistics services are able to support increasing trade growth

Examples

Regulatory Constraints

- **Trade Facilitation**

- Inability to settle customs duties/taxes by logistics operators by pre-arranged facilitative payment modes e.g. Electronic Funds Transfer (EFT) or bank guarantees.
- Establishment of “Single Window” programs in many countries still slow and disjointed. The Single Window concept requires that Customs administrations effectively link with other government agencies regulating the flow of goods so that there will be a single point for submission and processing of data, and a single decision-making point for release and clearance within each country.
- Implementation of Customs regulations **not harmonized** within many countries – e.g. different provinces/districts/local customs offices have subjective interpretation of laws and processes of implementation.

“Logistics” Is Cross-Ministerial

Logistics does not fall within the realm of one Ministry, but is rather cross-Ministerial. Transport, Finance, Trade/Industry, Postal all have jurisdiction over logistics providers.

If there is an open aviation agreement but Customs does not recognize the rights within the agreement, the agreement is irrelevant.

Adopt a “Roadmap for the Integration of Logistics Services” as adopted by ASEAN.

Some Suggestions

Infrastructure Projects

- “The Canadian Pacific Railway is seeking funding from the federal government to build a new tunnel under the Detroit River that can accommodate taller trains, a senior company official said Wednesday.

The \$400-million border-crossing tunnel would run parallel to the current one, Christopher Jones, CP Rail's manager of infrastructure, told the Hub '09 International Multimodal Conference in Windsor.

"We need government support through the (Ontario-Quebec Continental) Gateway initiative to make it happen," he said.

The current tunnel can't accommodate the tallest double-stacked rail cars coming from the Port of Montreal. It is also too low for the largest containers used by auto manufacturers like Honda.”

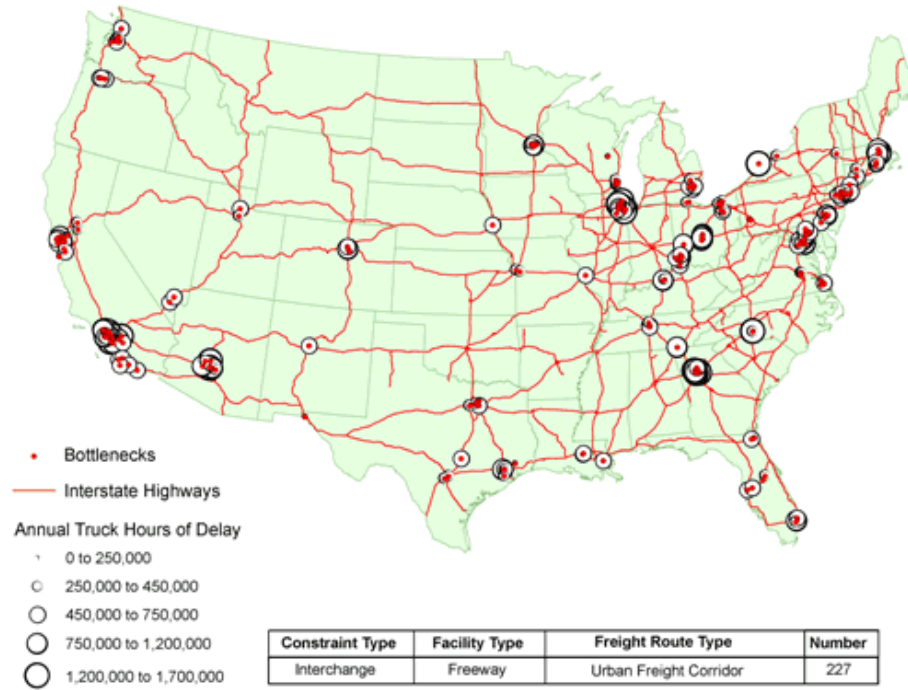
- **Federal funding sought for new rail tunnel**, Wageningen, The Windsor Star, May 7, 2009



NCIT Recommendations

- **Address critical needs that will contribute to long term economic competitiveness while injecting needed funds into the economy. T**
- **Prioritize projects of intermodal significance.**
- **Create a national infrastructure commission.**
- **Prioritize projects that reduce congestion.**
- **Expand mass transportation.**
- **Prioritize public private partnerships.**
- **Increase access to airports through intermodal connections.**
- **Reduce bottlenecks and choke points.**
- **Intelligent transportation technology investments (ITS).**
- **Research & scholarships to foster innovation and improve efficiency and effectiveness.**

- Target choke points for reduction



SOME BEST PRACTICES

One Company's Strategy

Mid & Long term

- Preparation for the post-crisis phase
 - **Ensure Quality and Safety**
 - **Stick with highly qualified personnel**
 - **Use free capacities to further training**
- Enhancement of efficiency and productivity

Short term

- Cut of cost
- Flexible assignment of capacities

More Strategies

Ensure Quality & Safety

- In aviation industry, safety is of capital importance
- For technical services, safety equals quality
- How to achieve:
 - Standardized processes
 - Explicit working procedures and documentation
 - High degree of qualification
 - Ensure awareness about safety and quality in the entire company
 - Visualization
 - Training

Other practices...

- Improve manufacturing processes e.g. LEAN is a key measure for higher efficiency & productivity and secures competitiveness in a global market
- Standardized work processes ensure productivity and quality
- Streamlined production processes Material and work flow follows predefined processes
- Collaboration Interfaces between employees are clearly defined and visualized
- Continuous Improvements - Employees are encouraged to continuously reassess their work processes. Even little changes are being implemented
- Respect for the people and their individual development boosts collaboration and motivation

Conclusion

- Things are starting to brighten
- Many companies using the traditional cut backs
- Increase unemployment
- Encourage stimulus spending
- Encourage REGULATORY reform as well
- Use both SHORT & LONG Term approaches to quality safety and productivity