

# Transportation Challenges and Opportunities Impacting Today's Supply Chain

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## About John Bowe

- 30 plus year career in ocean freight transportation and logistics, including 11 years in Asia
- APL President – America's 2004-2010  
PMA Board Member 2004-2010
- Member of the Board of Directors – Direct ChassLink (DCLI)  
2012-present
- Principal – American Maritime Group since 2011  
Advisor to transportation organizations and private equity firms. Advisor to Port of Oakland 2013-present

# Challenges Confronting Ocean Freight Transportation and Logistics

- Overhang of global ocean freight capacity due to poor discipline for investment return and “stretch” to build largest, most efficient vessels
- Under investment in US maritime infrastructure, including ocean terminals, modern logistics facilities, transportation infrastructure and “connectors” (roads, rail infrastructure, bridges, etc.)
- Insufficient appreciation and action among US government entities (Federal, State, Municipal) to support transportation infrastructure investments
- And the obvious – Disproportionate power of US waterfront labor organizations to affect supply chain costs and reliability

# A Few Words About Supply Chain Challenges

- Those who manage supply chains are focused on two key variable: **Cost** and **Reliability**
- Even reliability can be translated into cost. For example, I can accept a supply chain option that performs unreliably if my cost to protect against performance risk is less than my next best alternative
- In periods of low returns, ocean carriers need as much flexibility to rationalize assets as possible. The conversion of the intermodal chassis model, while painful in transition, will reduce supply chain costs for cargo owners **and** improve carrier returns by gaining the benefits of less investment in chassis per volume of container moves  
**(pooled assets = better overall utilization = lower costs)**
- More must be done to gain similar rationalization benefits through more vessel rationalization, and breakthrough container equipment and marine terminal rationalization schemes

# A Few Words About Supply Chain Challenges cont....

- US government entities (Federal, State, Municipal) must demonstrate a bias to support investment in transportation
  - ❖ While capacity on the ocean is in over supply, investment in landside infrastructure of all sorts is insufficient
  - ❖ Roads, bridges, connectors and grade separation need investment to improve supply chains
  - ❖ New thinking on the direction of public money to investments rather than “programs” is required

- From the perspective of a former PMA board member- the power of waterfront labor is disproportionate.
  - ❖ Investment in vessels, terminals, and supply chain infrastructure dwarfs the stake waterfront labor has in the ocean freight transportation process
  - ❖ Yet, the power of waterfront labor affects/dis-affects the ability of all other players to realize return on investment
  - ❖ This affects short term decisions - as in the extreme example today – but also long term decisions such as the willingness of other players to invest in cost-saving equipment and technology
  - ❖ Over the long pull, this must be changed by inspired improvement in labor law, or the trend to avoid this “unnatural” disruption of supply chains will increase. Example: More near-shoring, More automation, More “unnatural” routing

# Opportunities to Improve Today's Supply Chain

- Expansion of Transportation Infrastructure Bonds
  - ❖ Tax-exempt, project focused
  - ❖ Tied to user fees and/or focused tax measures (e.g. Alameda County)
- Further rationalization in ocean transportation, vessels, containers, terminals. Regulators must allow this to enable better returns
- Port rationalization/consolidation. Los Angeles and Long Beach, Seattle and Tacoma, for example, would enable better planning and more political strength to gain public investment
- Continued expansion of near-shoring to shorten supply chains, avoid inefficient and artificial bottlenecks (on the waterfront) and take better advantage of investment in automation and technology
- Expand incentives for faster adaptation of green technologies

## The last word...

- Opportunities to improve supply chains exist where inefficiencies are present
  - ❖ Such inefficiencies can be improved by rationalization, investment, better public policy and changes in law to correct anomalies
  - ❖ Those managing supply chains should champion improvements in all these areas