

What are the Top Transportation Issues for Next Administration?

Industry Analyst Ed Wolfe Lists His Top 10; Re-Regulation for the Railroads?

SCDigest Editorial Staff

What are the top transportation and logistics-related issues that the new presidential administration will need to deal with – regardless of who the winner is this week?

Ed Wolfe, president of Wolfe Research and former Bear Stearns transportation industry analyst, last week identified the 10 key issues he believes the winner will need to grapple with when he takes office in 2009.

1. The Next Highway Re-Authorization Bill: The last highway bill was passed in 2005 and expires in 2009, and authorized \$286 billion in infrastructure spending, although critics claimed too much was unneeded pork (as much as 18% by some estimates).

The debate for a bill in 2009 is likely to be contentious. Some may argue big spending will be needed not only to improve infrastructure but to create jobs if the economy is still wobbling. A group representing state highway officials has called for almost doubling the spend in the last four years, to \$545 billion, and other industry groups have also called for major investments. But where is the money coming from?

2. Rail Infrastructure and Tax Credits: The railroads are lobbying for a 25% tax credit for increased capital investments. There have also been several studies showing the need for rail investments well beyond what the railroads themselves are capable of making. With many also pushing for greater use of rail to move freight to relieve highway congestion and reduce oil consumption, there will be pressure in Washington to improve rail infrastructure.

3. Rail Re-Regulation: An interesting coalition of rail unions and major rail shipping organizations is

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4. Clean Coal Regulation: If carbon emission caps or other changes are enacted that make it more expensive to use coal in power plants or other applications, that ultimately could hurt major rail carriers, which in total derive 23% of revenues and even more profits from hauling coal in the US.

5. Free Choice Act: The proposal to allow unionization efforts to proceed with a so-called “card check” versus secret ballot is likely to re-emerge in Congress regardless of who wins the presidential election, and to get executive branch support if Obama is victorious. This move could lead to unionization at many currently non-union carriers, whose ranks include FedEx, JB Hunt, Werner, and many others large and small. Wolfe notes, how-

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ever, that many of these carriers have strong relationships with labor and may not see much unionization activity, at least in the short term.

6. FAA Re-authorization Bill: Mostly impacts passenger traffic, but Wolfe said this bill will also have some impact on air freight. Bill will likely fund improvements in airport infrastructure – but pay for it in part with increased air fuel taxes.

7. FedEx Reclassification: Wolfe says FedEx's non-aviation operations for some reason fall under the Railroad Labor Act, which makes it very difficult for its blue collar employees to unionize. A bill was introduced last year to re-classify FedEx and remove that protection, an issue likely to re-surface in 2009.

8. Changes in NAFTA: There is likely to be increased pressure from Congress to re-write some areas of the NAFTA trade agreement. Wolfe does not expect any short-term changes to NAFTA regardless of who wins the election, but if changes are eventually made that put up barriers to Mexican production, this would also obviously change transportation networks. The NAFTA-driven program to allow cross-border trucking and the current pilot program would likely be killed under an Obama administration and continued under McCain, however.



9. Hours of Service Rules: Despite the 2005 HOS changes, safety advocates (and, interestingly, railroad lobbyists) continue to press for changes that will further limit allowable hours on the road by drivers, with recommendations to reduce hours per day from 11 to 10. This would have an impact on the operating costs for carriers that would ultimately be passed on to shippers.

10. Transportation Security: Port and cargo security issues will likely remain important topics.