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# The New Equilibrium Global Economy

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**Transport Topics**

**Navigating a New Route:** *Emerging Issues in Transportation Technology*



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1980 to 1984, deregulation of transportation was enacted

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U.S. economy entered into  
“Economy of Over Supply.”

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Our economy was being supplied by:

- Too many goods;
- Too many carriers—trucks, trains, airlines, ships and ports; and
- There were too many transportation employees, including traffic managers—the buyers of transportation

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## In response:

- Trucking companies went broke, pared down or consolidated.
- Railroads consolidated.

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- Airlines, the major trunk lines, went broke, pared down or consolidated.
  - American flag containership companies were bought up by foreign flag ship companies.

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The cost of moving freight went  
from 16.1 percent of GNP in  
1980 . . .

. . . to around 10% of GDP today.

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# Supply Chain Management

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- Byproduct of this country's space program;
- “Just-in-time” delivery;
- Primary reason to take cost out of the supply chain.

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# Economy of Over Supply

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Why was there a surplus of goods?

- Global community
- Reduced trade barriers
- Goods exceed demand

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# New Equilibrium Global Economy

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- Increased import export trade;
- An evening out of the supply-chain;
- Lack of rail capacity;
- Highway congestion;
- Increased fuel costs;

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- Truck manufacturers not expanding capacity;
  - Less fuel efficient truck engines;
  - Shortage of qualified truck drivers; and
  - Truck drivers do not want to travel more than 500 to 1,500 miles.

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# 2006

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- Medium duty trucks - 294,000 units
- Heavy duty trucks - 348,000 units

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# 2007

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- Medium duty truck sales might fall as low as 150,000 units
- Heavy duty truck sales might be as low as 200,000 units

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# 2007

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- Truck freight will only grow about 1.6%
- Economy as whole is expected to grow around 2.3%.

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# 2008

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## A recession?

### Truck Sales:

- Medium duty trucks - 200,000
- Heavy duty truck sales - 220,000

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# 2009

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- Medium duty truck sales - 280,000
- Heavy duty truck sales - 290,000

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# 2010

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Re-enactment of the distressed  
truck sales experienced in 2007.

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# ***New Equilibrium Global Economy***

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- **Major Trends:**
- Continued globalization of manufacturing and globalization of consumption;
- Continued U.S. outsourcing of major manufacturing and assembling of products;

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- China and India as powerful exporters and importers of goods;
  - A global maritime industry controlled by foreign- flag carriers that have no interest in being responsible for landbridge transportation in the U. S.

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- Increased application of global logistics and supply chain software systems.

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# Problems

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- Railroad industry
- U.S. Interstate Highway System is 42,700 miles
- Class 8 power units end to end represent 10,200 miles and adding trailers and containers end to end is additional 33,000 miles
- 2020 Class 8 power units 18,200 miles end to end and trailers and containers 52,000 miles end-to-end

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# Summarizing

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- Supply and worldwide demand are increasing in equilibrium
- EPA's diesel emission requirements in 2007 and 2010 will be disruptive to manufacturers
- Transportation information technology will be in the driver's seat