



GLOBAL IMPACT



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Dear Friends:

The American transportation infrastructure, including ports, is the backbone of the economy. Unless improved, efficiencies gained by the development of sophisticated U.S. supply chains will be lost to global competitors (p1-2).

In many cases involving marine-related accidents, identifying, assessing or understanding various risks—like damages and costs resulting from seemingly minor or unpredictable spills—is not easy. That’s where Great American’s pollution policy can help (p3).

What do the Middle East and North Africa have in common with the former Soviet Union? A lack of global economic integration and freedoms, which can be solved with new reforms (p4).

We hope you enjoy this issue and, as always, welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

AMERICA’S TRANSPORTATION INFRASTRUCTURE REQUIRES INVESTMENT

SUPPLY CHAIN EFFICIENCIES AND GLOBAL COMPETITIVENESS ARE AT STAKE

No sector is more important to the American economy than transportation, said George H. W. Bush in 1990. As world trade grows even larger and as we continue our leadership in an increasingly global society, he said, we will become even more dependent on transportation than we are today.

President Bush was correct. With the acceleration of globalization, transportation has become even more essential to the American economy. Unfortunately, the U.S. trade and transportation infrastructure has not received the attention or the funding it requires.

TRANSPORTATION INFRASTRUCTURE IS THE BACKBONE OF THE ECONOMY

According to the Miller Center of Public Affairs at the University of Virginia, “Transportation systems are the backbone of America: They keep our nation strong and moving. But we have not been taking good care of this resource. Lacking a coherent vision for our transportation future and chronically short of resources, we defer new investments, fail to plan and allow existing systems to fall into disrepair.”

Very importantly, the Miller Center notes, “Our chief trading partners are making significant investments in their transportation infrastructure;

America must do the same to remain competitive.” To compete with emerging economic powerhouses like China, the United States needs to become more efficient. And this includes making new investments in transportation infrastructure. Currently, as a percentage of its Gross Domestic Product, China currently spends approximately twice as much on capital investment as does the United States.

Stated by President Lyndon B. Johnson in 1966, “Modern transportation can be the rapid conduit of economic growth—or a bottleneck.” In recent years, it appears to have become a bottleneck.

THE COST OF FAILURE

A bipartisan panel of experts and two former secretaries of transportation, Norman Mineta and Samuel Skinner, say an additional \$134 billion to \$262 billion must be spent per year through 2035 to rebuild roads, rail systems and air transportation. And that doesn’t include the costs to maintain and upgrade the nation’s ports.

The costs of this failure are enormous. For example, according to the Texas Transportation Institute’s 2009 Urban Mobility Report, in 2007:

- The total cost of wasted fuel and lost productivity for U.S. drivers stuck in

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traffic reached \$87.2 billion, or \$750 for every U.S. driver.

- The amount of fuel wasted nationally due to traffic congestion topped 2.8 billion gallons—three weeks' worth of average gasoline consumption for every driver.
- The cumulative amount of time wasted in idling traffic for all drivers totaled 4.2 billion hours—nearly one full work week for each driver.

AMERICA'S PORTS FALL IN RANK

The level of transportation efficiency has a direct impact on the cost of U.S. goods and services—whether sold in the United States or abroad. According to a U.S. Department of Transportation report released January 2011, one container in every 11 engaged in global trade is either bound for or originates in the United States. This accounted for 9 percent of worldwide container traffic.

However, in 2009 only two U.S. ports—Los Angeles and Long Beach—ranked among the world's top 20 container ports as measured in TEUs (twenty-foot equivalent units), placing 16th and 18th respectively. The Port of New York/New Jersey ranked 22nd, falling from 20th in 2008, the report says.

Despite this, the United States continues to be the world's largest trading nation. Total U.S. container traffic more than doubled in volume between 1995 and 2007, from 22 million TEUs to an estimated 45 million, before falling to approximately 43 million in 2008 and to 37 million in 2009. Between 1995 and 2009, world container traffic more than tripled in volume, from 137 million TEUs to 432 million TEUs.

SHIFTS IN CONTAINER TRADE PATTERNS

With the expansion of the Panama Canal, which is scheduled to be completed in October 2014, larger Post-Panamax ships will be able to pass through with a maximum cargo of 12,500 TEUs. This represents three times more capacity than today. As



a result, some U.S. east coast ports are expecting an increase in container traffic as ships departing from China and other Asian trading partners no longer will have to unload in California. However, others believe that much of the shift from the west coast to eastern and southern ports that

percent of rail intermodal traffic consists of merchandise imports and exports that interchange between ship and rail at U.S. container ports. The remaining 40 percent of rail intermodal traffic is domestic.

As global trade increases, logistics providers are developing large

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already has occurred for a variety of reasons is coming to an end, and is unlikely to be significantly impacted by the Panama Canal expansion. One reason: only a few ports, including Baltimore, Norfolk, and New York-New Jersey have the 50 ft. depths required to accommodate Post-Panamax ships. Unless more dredging is funded (the Port of Miami currently is seeking \$75 million for what it calls the Deep Dredge), Post-Panamax ship calls on the east coast may be limited.

THE GROWTH OF INLAND PORTS

The efficient movement of containerized cargo involves much more than our nation's ports. Rail and highway capacity have an enormous impact, as well as our inland warehouses and distribution centers that provide logistical support for the entire multimodal freight supply chain.

According to the Miller Center of Public Affairs, approximately 60

integrated freight logistic distribution centers at inland locations, including Kansas City, Memphis, Columbus and Chicago, the Miller Center of Public Affairs says. And a large Buffalo bi-national logistic complex is in the planning stage. Each day, thousands of imported containers are transported up to 2,000 miles to these hubs, mostly by rail on behalf of large-scale retailers and independent logistics providers. In addition, the Nation's Class I railroads are developing mega hubs and renovating some of their rail tracks and tunnels for double-stack trains.

SIGNIFICANT INVESTMENT REQUIRED

The development of new logistic centers is good news. However, unless significantly more funds are invested in this nation's highway, rail and port infrastructure, efficiency gained by the development of sophisticated supply chains will be lost to our global competitors. ■

GREAT AMERICAN'S POLLUTION POLICY CAN REDUCE RISKS THAT ARE NOT OFTEN CONSIDERED

EXPECT THE UNEXPECTED

On January 7, 2011, what began as an electrical fire at McCotter's Marina, a 180-slip marina located in Washington, North Carolina, ended in a great deal of damage, including the sinking of 26 boats. But that's not all.

Reported by Mike Voss in *Soundings Trade Only*, a marine industry publication, many organizations arrived at the scene to lend a helping hand. They included:

- Area fire departments,
- EMS units,
- State and county emergency-management personnel,
- The Sidney Dive Team,
- The hazardous-materials team from the Marine Corps Air Station,
- A 24-foot-long rescue boat and crew from the Hobucken Coast Guard Station,
- Coast Guard pollution investigators from Coast Guard Sector North Carolina, and
- Eastern Environmental, a private hazardous-materials company that conducts cleanup operations.

While the exact costs, including those associated with deploying 2,000 feet of boom in an effort to contain leaked fuel from sunken and damaged boats at McCotter's Marina, are unknown, the damage was extensive. Unfortunately, in many cases involving marine-related accidents, identifying, assessing or understanding various risks—like damages and costs resulting from seemingly minor or unpredictable spills—is not easy. That's where Great American can help.

CONSIDER THE UNEXPECTED

Great American's pollution policy covers removal costs includ-

ing expenses involving the actions taken by any federal, state or local government agency to avert or lessen a spill under the Oil Pollution Act of 1990 (OPA), the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), and state oil pollution liability and toxic waste laws. With an effective response and cleanup plan, Great American can work to reduce losses. And when it comes to compensatory damages, which can be significant following a spill, the coverage applies to claims in six classes:

- **Natural resources.** Damages can include injury to or loss of use of natural resources. Costs may involve

In many cases involving marine-related accidents, identifying, assessing or understanding various risks—like costs resulting from seemingly minor or unpredictable spills—is not easy.

steps taken to restore the impacted environment, such as restocking fish species or replanting wetlands.

- **Real or personal use.** This includes damages for injury to, or economic losses resulting from destruction of property.
- **Subsistence.** This may apply to a claimant who subsists on damaged natural resources, such as fishermen.
- **Revenues.** Federal, state and local governments are entitled to receive damages equal to net loss of taxes, royalties, rents, fees or net profit shares.
- **Profits and earning capacity.** This includes damages equal to the loss of profits or impairment of earning capacity from destruction or loss of use of property or natural resources.

- **Public services.** This includes damages for net costs of providing increased or additional public services resulting from removal activities, including fire, safety and health protection.

Great American's seamless policy coverage also includes advertising costs to help rebuild its client's image. Plus, it is offered as a stand-alone policy or as part of a comprehensive marina package.

According to Capt. Ed Wilmot, Vice President of the Great American Ocean Marine Division, "A critical service offered as part of the policy is knowledgeable marine spill response

management. Why? Coordination of responders is crucial to a cost effective response."

"Insuring a marina completely is like putting together a jigsaw puzzle," Wilmot continued. "There are many interlocking policies that must be in place to insure specific liabilities. However, all too often, pollution is neglected because some agents are unaware that a policy exists or they don't recognize the potential cost of a major incident, such as the fire at McCotter's Marina. Surprising to many, spill response costs alone can easily run \$10,000-20,000 per day."

For more information on Great American's pollution policy, contact Capt. Ed Wilmot at 212.510.0135 or ewilmot@gaic.com. ■

GREATER ECONOMIC INTEGRATION AND FREEDOM WOULD BENEFIT THE MIDDLE EAST AND NORTH AFRICA

SIMILAR FORCES LED TO THE DISINTEGRATION OF THE SOVIET UNION AND THE FALL OF THE BERLIN WALL

A primary economic problem poor countries typically incur is not too much global economic integration, but rather, their lack of it. This coupled with limited freedoms is a recipe for poor growth prospects, high unemployment, hopelessness and ultimately, revolution.

ONE CAME TUMBLING AFTER

The disintegration of the Soviet Union and the fall of the Berlin Wall illustrates the impact of several forces, especially economic isolation combined with lack of freedoms. Today, we are seeing a similar phenomenon in the Middle East and North Africa.

Not surprisingly, Freedom House, an independent organization that supports the expansion of freedom around the world, consistently identifies nearly every Middle East and North African country as either “partially free” or “not free.” The region is replete with totalitarian regimes that not only deny their citizens freedoms Americans cherish, but also utilize trade barriers to isolate themselves from the world, as well as from each other. As a result, its unemployment rate is nearly twice the world average, and an astonishing 25 percent for its young population, according to the Democratic Leadership Council, a Washington, D.C.-based think tank.

Thomas Barnett, author of *The Pentagon's New Map: War and Peace in*

the Twenty First Century, says regions or countries lacking economic and cultural connectivity with the rest of the world are those countries where you find instability, threats to the international system and terrorist networks. Many agree.

WHAT WORKS

Globalization, Poverty and Inequality, a report published by the Progressive Policy Institute, a Washington, DC-based think tank, says “no country has managed to lift itself out of poverty without integrating into the global economy.” Why does global integration hold such promise for the



accepted in the Middle East and North Africa, the region will be positioned to absorb new ideas, technologies and a myriad of other benefits from the world trading community. This will help the region diversify its

If free market reform is accepted, the Middle East and North Africa will be positioned to absorb numerous benefits from the world trading community.

Middle East and North Africa? Look at the facts.

East Asia and the Pacific, a region that has welcomed global integration, has generated annual growth rates among the highest in the world. Plus, in the short span of 1990 through 1998, the number of people living in extreme poverty there decreased 41 percent—one of the largest and most rapid reductions in history.

If free market reform—which is promoted by global integration—is

exports toward agricultural goods and higher-value manufactured products, and in turn, create new jobs.

As trade and investment increase, the incomes of ordinary people also will rise. This will lead to higher living standards and a better-educated and politically-involved population. In turn, despair and hopelessness will slowly turn to hope. Thus, the Middle East and North Africa would be well advised to adopt free market policies and greater freedoms. ■

For more information on how we can help your business stay profitable, contact your agent or **Ed Wilmot** at (212) 510-0135 and ewilmot@gaic.com

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The pollution policy described on page three is underwritten by Great American Insurance co. of New York which is an admitted insurer in all fifty states and DC. Coverage description is summarized. Refer to the policy declarations and policy form for a complete description of all applicable terms, conditions, limits and exclusions.

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