



Proceedings of the 2014 CSULB CITT Town Hall Meeting

By

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Executive Summary

The 2014 Town Hall discussed impacts of global trade and market trends on the Southern California region and feasible solutions to shared concerns. The Town Hall was a collaborative effort among major stakeholders who presented their views on ever-changing trends with the emergence of new economies, competition with other ports with changing trade routes, and issues faced at ports along with possible solutions. A vast range of topics were discussed which included the rise of internal consumer markets in countries like China, possible shifts in production of commodities, competing with the eastern ports in the U.S., issues of port efficiency, and rising energy costs. Overall, stakeholders across supply chain placed a collective emphasis on the importance of integrating a transparent supply chain system, improving system efficiency and removing bottlenecks by solving problems related to congestion at the ports, delays, availability of chassis, and a lack of a trained workforce professionals.

Summary of Introduction Comments

Call to Order: Dr. Thomas O'Brien, CSULB/CITT

Dr. Thomas O'Brien, Executive Director of the Center for International Trade and Transportation (CITT) at California State University, Long Beach (CSULB) and the Associate Director of Long Beach Programs for the METRANS Transportation Center, a partnership of CSULB and the University of Southern California, welcomed all participants and attendees to the forum. He gave a brief account of the origin and history of the Town Hall meetings and stated that the goal of these events has been to "provide a forum in which to explore key issues and challenges in the goods movement industry." He proceeded to go over some important themes that are going to be covered in the Town Hall meeting. He thanked former CITT Executive Director Marianne Venieris for her vision and leadership that made Town Hall meetings possible by bringing together all segments of industry and community to share a common forum in the spirit of education. He asked Dr. Jeet Joshee, Associate Vice President for

International Education and Dean of the College of Continuing and Professional Education (CCPE) at CSULB to welcome and introduce the President of CSULB, Dr. Jane Close Conoley.

Dr. Jeet Joshee gave a brief account of the educational programs, research projects, and outreach tasks carried out by CITT. He announced that, starting Fall 2015, the Master of Science degree in Supply Chain Management will be established with CSULB's College of Business Administration. Dr. Joshee then introduced Dr. Jane Conoley who is the seventh President of CSULB and the first woman to lead the institution. Dr. Conoley welcomed attendees once again to the event. She presented the topic for the discussion and emphasized the importance of this event organized by the university in fulfilling its mission. Dr. Conoley acknowledged the industry partners for their unparalleled dedicated support in terms of scholarships and event sponsorship. She made an announcement of the center of excellence award given to CSULB by the Federal Highway Administration for the Southwest Regional Surface Transportation Workforce Center. The new workforce center will be one of five centers of excellence in the country and will serve eight states from California to Texas.

Dr. O'Brien returned to the lectern to thank the CITT Policy & Steering Committee, students, and instructors from both CSULB and USC with dignitaries including Port of Long Beach (POLB) Commissioners Rich Dines and Doug Drummond and former POLB Commissioner Mike Walter. Several Long Beach City Councilmembers also attended including Patrick O'Donnell (4th District), Dee Andrews (6th District), Roberto Uranga (7th District), and Rex Richardson and Ted Williams (9th District). John Fageaux, President of local 63 representing the International Longshore and Warehouse Union (ILWU) was present along with Kim Chha Hout, honorary Counsel General for Cambodia to USA. Dr. O'Brien thanked METRANS Associates, the ports of Los Angeles and Long Beach, Majestic Realty Company, Los Angeles Metro, Southern California Association of Governments, APM Terminals, and ILWU locals 13, 63 and 94. Dr. O'Brien also recognized the following Town Hall sponsors: Alameda Corridor Transportation Authority, Ability Tri-Modal, Long Beach City College, Watson Land Company, BNSF Railway, Los Angeles Customs Brokers & Freight Forwarders Association, *Pacific Maritime* magazine, and the *Long Beach Business Journal*. Dr. O'Brien closed his speech by introducing the video documentary created by CSULB's Advance Media Production Center. The video addressed the changing global trends and related impacts on the West Coast.

Video Presentation – Summary of Key Lessons

The video begins with a focus on the impact of China, which is supporting the world's largest population and is now incurring the greatest use of world energy supplies. The video presents four apparent trends that are visible with the growth in China's economy.

The first trend mentioned was an increase in China's wage scale which increases production costs compared to other low cost labor source countries like Vietnam and Cambodia. China surpasses Mexico in terms of average annual wages. This trend could result in manufacturing to spread to other parts of the world. Opportunities for near-sourcing supplier services could lead to a restructuring of production processes facilitated by geographic land access to the U.S. Norbert Ore (a supply chain consultant and former chair for ISM Report on Business) believes that areas

of the world with labor intense industries (such as Central America, South America, Central Asia, and Africa) will have potential room for development. The second trend mentioned regards the maturation of China's internal consumer markets which might result in a reduction in China's export of goods; consequently, leaving less reliance on export revenue to support sustainable growth.

The video also discusses a third trend regarding a series of plans to increase the value added aspect of productivity, i.e., emphasizing innovation and engineering along with creativity; upscale services and products must be innovated in China, not just "made in China." Dan Gardner, President of Trade Facilitators Incorporated, says that China should look for continual growth not just from an export perspective, but also to serve the emerging middle class (estimated to be equal to the entire population of the U.S.) in order to remain competitive. Finally, the fourth trend discussed tackled a major issue regarding China's overabundance of pollution caused by rapid unchecked factory growth and largely unregulated use of oil, coal, and industrial chemicals. Environmental hazards in China serve as an ominous cautionary warning for other rapidly industrializing nations (including India) which are suffering from similar pollution problems.

Clean truck initiatives, adherence to rigorous air quality standards and regulations, and efforts to minimize congestion with initiatives like PierPASS significantly reduced the impact of diesel exhaust in Southern California's harbor community. Regarding the ground transportation front, significant efforts to expand on-dock rail services will pay competitive dividends to the port of Los Angeles and Long Beach while eliminating numerous truck trips. The Alameda Corridor is viewed by many as both a model of public-private transportation partnerships and the best method for expediting discretionary cargo to distant locations with the least impact on local streets, roads, and highways. The massive 12,000 TEU ships may be replaced by 18,000 TEU mega ships within a few years. With larger ships and consolidated cargo runs, harbor calls may become somewhat less frequent. However, the resulting surges in cargo containers could make congestion in the marine terminals more apparent, especially if several ships arrive simultaneously. Less efficient use of port facilities and surface infrastructure leading to delayed warehouse deliveries could influence higher inventory costs. Geraldine Knatz, Professor of Public Policy and Engineering at USC, believes that focusing on efficiency is most important as carriers do not want to take financial losses by having ships sit on the dock longer than it needs to. Some have suggested 24-hour operations on the ports to attract and service more goods. While this could provide more job opportunities, technology is trending toward automation which increases productivity while lowering costs over time. David Arian, Vice President of the Los Angeles Board of Harbor Commissioners, believes that both the ports of Los Angeles and Long Beach have well equipped, highly invested infrastructures and are each positioned well logistically.

The documentary also discusses maturing consumer markets in the U.S., implying the growth rate of imports is likely to slow or decline in future years. The average household income in America remained relatively flat for six years following the Great Recession beginning in 2008. Population growth mostly leveled off in the U.S., meaning that overall demand-driven consumer

activity will not significantly increase in the near future. Large consumer markets will propagate in nations where major development is either taking root or emerging; India, Brazil, Indonesia and Turkey potentially fall into this category in addition to China. There may also be long-term possibilities in South Africa and other African nations such as Kenya. Although there are other emerging economies, the introduction of new technologies and new forms of resource acquisition places the U.S. in a competitive position regarding energy efficiency. Low cost and abundance of energy gives credence towards manufacturing more in the U.S. This would also impact importing and exporting done through the west coast. Donald Paul, Executive Director of USC Energy Institute, forecasts the U.S. as becoming the largest and the most diverse energy system through an emphasis on creating more electricity with renewables.

The most important factor for future economic growth and trade patterns centers on the formation of various trade and shipping alliances. For instance, the European Union is America's number one trading partner followed by China. Such relationships influence the location and flow of added products and commodities. Regarding shipping alliances, 11 ocean carriers have banded together in groups of five and six companies in two separate corporate linkages. These two alliances consolidate both cargo containers and trade routes which garner greater combined efficiency and cost control advantages.

In a final analysis, the wealth of a nation depends on its ability to adapt to changing circumstances within the global economy including: chase for the cheapest manufacturing costs, implementation of environmental standards, ability to provide high quality services and innovation, stability of political institutions, and access to abundant energy supplies. Placing these cornerstones as a basis for operations within the goods movement industry in Southern California could lead to a promising future. Southern California's large consumer market, highly developed modern infrastructure combined with technical expertise, and year-round good weather open further opportunities. The video ends by reviewing barriers to future trade growth which include: potential congestion, environmental concerns, community opposition, and competition for the most cost efficient routes to the eastern half of the nation.

The Town Hall video is available online at <http://www.ccpe.csulb.edu/citt/townhall.aspx?pID=126>.

Panel Discussion

After the video's conclusion, Dr. O'Brien thanked David Kelly, Director of Advance Media Production Center of CCPE, for his efforts in crafting the documentary and invited panelists and a moderator to the stage. Kristin Decas, CEO and Port Director of the Port of Hueneme, served as the moderator while Jon Slingerup, Chief Executive of Port of Long Beach, Bobby Olvera Jr., President of ILWU Local 13, and Peter Friedman, representing the Pacific Coast Council of Customs Brokers & Freight Forwarders Alliances, served as expert panelists.

Ms. Decas asked the first question to the panelists: **“What do you think is most relevant and critical in the video documentary and share what you feel the real message is?”**

Mr. Olvera stated that the video highlighted both the productivity of the ports and actions taken to improve the throughput of cargo while conceding that significant problems needing immediate resolution exist. He suggested that every stakeholder (including the management workforce and community) start addressing issues through cooperation and transparency.

Mr. Friedman added that the markets will evolve and grow. Ship carriers will find a way to move cargo by seeking optimal solutions lest the ports start losing cargo to other ports.

Mr. Slangerup agreed that everyone needs to work on the efficiency and integration of the system, decreasing congestion, and removing flaws in supply chain. He assured that the ports will be working towards creating information intensive systems.

Ms. Decas followed up with another question to the panelists: **“What are threats faced by the industry and what are your priorities in facing these challenges raised from new global trends?”**

Mr. Slangerup listed important issues the West Coast industry faces: poor port efficiency and port velocity, delay in moving cargo, and an increase in volume of cargo moving through the Suez Canal. Injecting more chassis, especially during peak hours, integrating the system and making it more transparent were other items on the top of his list.

Mr. Friedman discussed the shift of manufacturing from China to other South Asian countries like Vietnam, Bangladesh, and India. This will cause cargo to move from the Suez Canal and enter the U.S. through five East Coast ports. Since the majority of the U.S. population is concentrated in the East Coast, less cargo will enter through West Coast over the next 10 years.

Mr. Olvera highlighted workforce issues in the ports. He expressed concerns about the last seven years; specifically that they’ve lost about 1000 people due to retirement and other reasons without replacement. Additionally, management ineffectively trains its staff causing decreased efficiency in moving cargo. The ports also struggle with lack of chassis, yard mismanagement, and increasing congestion causing idle cargo. He suggested 24-hour operations at the port.

Ms. Decas asked for Mr. Friedman’s **perspective on local concerns and what needs to be done for the future.**

Mr. Friedman suggested that many issues are global rather than local. He believes that some people, especially exporters, are dissatisfied with PierPASS as it has flawed configurations and an unfair system that drives cargo away from the ports. He requested accountability in the PierPASS system and an intervention of public agencies to implement more transparency. Appreciating the Port of Long Beach, he expressed content with the impacts of clean truck initiatives.

Mr. Olvera added to the topic that the ILWU can move about 30 to 40 containers (as opposed to 18) per hour if they had necessary assets. From his perspective, automation is not the future. He believes current investments should be put into port infrastructure, highways, bringing in more chassis, and terminals.

Mr. Slangerup assured that the chassis problem will be fixed. He also suggested a more dynamic system that plans and recognizes the need to move goods in the ports instead of 24 hour operations. He announced that the next version of update of PierPASS will be information intensive.

Question & Answer Session with the Audience

After three questions, Ms. Decas opened the floor to the audience. All questions were relevant to the theme of the Town Hall meeting.

“Why sis carriers not anticipate the chassis issues since New Jersey had similar problems a year ago?”

Mr. Slangerup agreed with the essence of the question and explained that the carriers should consider peak hours while deciding on the number of chassis at each port.

“Last week the ILWU began putting trucks through secondary and tertiary safety inspections as well as red tagging of chassis. Will you revoke this new procedure as it contributes to congestion?”

Mr. Olvera reasoned that it has to do with safety as the workers have to work around robots which are controlled from miles away. He informed that the City of Los Angeles, with help from the Mayor of Long Beach, stepped in with tray pack in the ILWU and the Port of Los Angeles to work through a system assessment and an independent IT firm was brought in. They will work on making the system efficient while ensuring safety. Also, he said that there is no new secondary or tertiary inspection. All they need is the driver’s cooperation to ensure the safety of the workers.

“Many drivers are retiring and there is no hiring to move the cargo for reasons including delays and unsatisfactory payment. How and what are we going to do about the availability of drivers?”

Mr. Slangerup pointed out that it is an apparent economic issue. Driving a truck on current wages makes for an unattractive career choice. He plans to fix this by increasing the turn times two or three times a day to raise an adequate income for the driver. He wants to attract new truckers with an outreach and educational programs through universities and vocational schools.

Live Polling and Survey

Dr. O’Brien thanked the panelists for their participation and insight. Dr. O’Brien observed some encouraging signs that were good for the industry; for instance, prevalent issues are recognized and solution planning is already undertaken by the authorities. Also, all stakeholders understand the changing trends in the market and various economies. Dr. O’Brien then walked the audience through the live polling session which included a two question survey followed by a question regarding topic suggestions for the next Town Hall meeting. He invited Dr. Genevieve Giuliano, Director for METRANS Center, to lead and analyze the survey. As a side note, Dr. Giuliano is

also the Margaret and John Ferraro Chair in Effective Local Government and Senior Associate Dean at Sol Price School of Public Policy of USC.

The audience could complete the survey using either their smartphones or through a provided hard copy of the survey. While the results were collected, Dr. Giuliano talked about dynamics and shifts of supply and demand within the industry. She considers changing income levels, changing education, and population growth in different parts of the world to be major causes for the global economic shift. Affirming Mr. Friedman's earlier comment, Dr. Giuliano expressed that cargo movement is no different from any other traffic; to become a successful industry, we should find the most optimally cost-efficient movement solutions possible. She then went on to discuss the results of the live polling.

The first question on the survey asked the audience: **“What global trade trend is most likely to have the greatest impact on Southern California?”**

Possible responses:

1. Global manufacturing trends
2. Developing markets in Asia, South America and Africa
3. Uncertain energy future
4. Larger vessels and consolidation in ocean carriage
5. Global standards for environmental regulations

The audience gave majority votes to ‘developing markets in Asia, South America and Africa,’ followed closely by ‘global manufacturing trends’ and ‘larger vessels and consolidation in ocean carriage.’

The second question was: **“What response to global trade trends is most important to the Southern California region?”**

Possible responses:

1. Improving productivity
2. Solving regional infrastructure bottlenecks
3. Developing new export markets
4. Consistency in state and national environmental policies
5. Research and development into alternative energy sources

To this question, most voted on ‘solving regional infrastructure bottlenecks’ followed by ‘improving productivity’ and ‘developing new export markets.’ Dr. Giuliano expressed her concerns on developing a new exports market since ports of Southern California do not have the massive rail system to handle the cargo to the ports. Also, the imports are predicted decline in the future; thus, she predicted that, to expand business, they will have to serve the demands for expanding markets offshore. In her closing remarks, she thanked the audience for their support in answering the survey in real-time and reminded the audience to answer the third question on the survey regarding ideas for topics for the next Town Hall meeting.

Closing Remarks

Dr. O'Brien thanked Dr. Giuliano for sharing her perspectives along with the moderator and the panelists for the engaging and informative discussion. He went on to express his gratitude to Alix Traver, Diane Delaterre, Brenda Gonzalez, Angeli Logan and the student support at CITT for coordinating the event. He also mentioned a note of appreciation to all the sponsors and partners for their financial support. Dr. O'Brien reviewed the audience's topic suggestions for next year's meeting and mentioned that the proceedings of the event and the video documentary would be available online. He kindly encouraged the audience to turn in their evaluation hard copies and thanked the sponsors and attendees once more.