Evolving Goods Movement Solutions: Balancing the Economy and the Environment

Proceedings of the 8th Annual CITT State of the Trade and Transportation Industry Town Hall Meeting

August 2006

By Thomas O’Brien, Ph.D.
DISCLAIMER

The opinions and conclusions expressed or implied in the report are those of the author. They are not necessarily those of the METRANS Transportation Center, the Center for International Trade and Transportation, the US Department of Transportation or the California Department of Transportation.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Eighth Annual CITT State of the Trade and Transportation Industry</td>
<td>4</td>
</tr>
<tr>
<td>1.1 Setting the Stage: Balancing the Economy and the Environment</td>
<td>4</td>
</tr>
<tr>
<td>1.2 Summary of Introductory Comments and the 8th Annual Town</td>
<td>5</td>
</tr>
<tr>
<td>1.3 Year of Evolving Solutions</td>
<td>7</td>
</tr>
<tr>
<td>2.0 Town Hall Panel Discussion</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Questions from the Floor</td>
<td>9</td>
</tr>
<tr>
<td>2.2 Summary of the Panel Discussion</td>
<td>13</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>15</td>
</tr>
</tbody>
</table>
1.0 Eighth Annual CITT State of the Trade and Transportation Industry Town Hall Meeting

The 2006 Town Hall is an attempt to consider how the economic opportunities brought about by trade growth can be balanced against trade’s impacts on the environment and our health. The focus is on the community’s concerns, industry’s response, and the effectiveness of legislative and other regulatory measures. The Town Hall format allows for both summary presentations and a question-and-answer period. The former provides valuable context for discussion. The latter provides a framework for the discussion itself.

1.1 Setting the Stage: Balancing the Economy and the Environment

The inevitability of port growth has been matched by not only capacity constraints but also environmental consciousness and community success at challenging port expansion. The off-peak program known as PierPass suggests that the goods movement industry is willing to consider new responses to capacity constraints that also happen to have a positive impact on the environment. Solutions will inevitably require different industry segments to overcome obstacles to cooperation and coordination. The Town Hall offers an opportunity to consider the most critical capacity and environmental challenges confronting trade and transportation in Southern California. It provides a forum in which stakeholders can revisit past challenges and successes and question their relevance for the future.

The Town Hall format allows for airing of all possible opinions and the respectful discussion of those opinions. Since the goal is to ensure that opinions are shaped by facts,
the Town Hall begins with an introductory video. The 2006 video highlights the response of key goods movement stakeholders to the capacity and environmental challenges brought about by the congestion crisis of 2004. The complete video is included as part of the Town Hall webcast, which may be accessed at http://www.uces.csulb.edu/citt or you may purchase the video by calling 562-296-1170.

1.2 Summary of Introductory Comments and the 8th Annual Town Hall Video

Marianne Venieris, CITT Executive Director, welcomed the 8th Town Hall participants and invited them to take part in a discussion of the state of the goods movement industry in the spirit of education. Last year’s Town Hall focused on the 2004 peak season congestion crisis. In an attempt to build upon lessons learned, this year’s Town Hall will consider how goods movement solutions have evolved since then to address both economic imperatives and environmental concerns. Venieris emphasized that CITT and California State University, Long Beach offered a neutral forum for such a discussion and the pursuit of mutually beneficial solutions.

Ms. Venieris noted that the 8th Town Hall marked a milestone of continued cooperation between the ILWU, industry and local business. The event has become a local institution and a number of attendees have participated in all 8 Town Halls beginning with the first on February 4, 1999. She also welcomed new participants, which this year included a delegation from the San Diego World Trade Center, and recognized the many sponsors who make the annual Town Hall possible. 2006 sponsors included the US Department of Transportation; Caltrans; the Ports of Long Beach and Los Angeles; ILWU Locals 13, 63 and 94; Long Beach City College; the Alameda Corridor Transportation Authority; and the Long Beach Business Journal.

CSULB President F. King Alexander welcomed the participants on behalf of the 40,000 faculty, staff members and students at the university. He conveyed CSULB’s commitment to address the institutional, environmental, technical, logistical and managerial issues that have an impact on the region’s employment capacity.

Dr. Genevieve Giuliano spoke as Director of the METRANS Transportation Center at the University of Southern California and CSULB. She noted that the Town Hall is a truly remarkable and nationally recognized event. She commented that the importance of continuing discussions on how to balance port growth and environmental impacts cannot be exaggerated. Dr. Giuliano also referred the participants to a Timeline of key goods movement related events found in the evening’s program. She emphasized that the Town Hall was first and foremost an educational forum. Facts as we know them are presented to set the stage for the discussion to follow.

She then introduced the video stating that, while changes in operating practices are important, infrastructure capacity is also critical. How do we accomplish both while addressing the impacts of increased growth in trade? The 8th Annual Town Hall Video prepared by the CSULB UCES Advanced Media Production Center, offered some preliminary answers.
The video argued that 2004 was a perfect storm. There was a shortage of rail, trucks, and labor; technology did not function as it should have; and the industry experienced a peak season jump of 14% when 5% was predicted. The industry responded by improving metrics used to predict labor needs and by hiring more labor. The off-peak program known as Pier Pass was implemented and had an immediate impact on truck patterns. The ports also reduced the amount of “free time” for containers at the terminal, freeing up important dock space. Terminal operations were also made more efficient by increased use of optical character readers at the terminal gates. Finally, shippers used strategic planning to redirect the flow of discretionary cargo to avoid possible bottlenecks in LA and Long Beach.

Still, the video points out that the ports of Los Angeles and Long Beach remain central to goods movement throughout the US. The ports are efficient and they were able to recover from the problems of 2004 because all stakeholders took action. Everyone can take credit for improvements in 2004. Everyone should be congratulated.

However, projections of double digit growth could overwhelm the local goods movement infrastructure. Outsourcing has increased, meaning that shippers will continue to take advantage of trade routes between Asia and the west coast of the US. They will do so on larger super vessels that cannot use the Panama Canal and can only call at certain ports, including those here in the San Pedro Bay. Also, population growth has increased the size of the local market, in particular in places like the Inland Empire. Housing demand translates into the need for building supplies delivered by truck. Because diversion is not always possible, improvements are needed in the amount of land devoted to goods movement, in the capacity of our bridges and in the number of trains. Without these improvements, increases in cargo volume could make local freeway traffic nearly impossible. The problem is national in scope but the impacts, both positive and negative, are localized.

The video argues that the two most acute challenges stemming from growth in trade are congestion and air pollution. It asks the question, “Are jobs worth the cost?” For many, it is a question of environmental justice since the impacts can have a disproportionate impact on poor communities.

The ports are beginning to understand the importance of addressing the impacts of goods movement. They have a new perspective on the health and environmental risks; but identifying the funding for needed upgrades and mitigation measures is a challenge. Estimates are that $36 billion will be needed for both. The State has limited funding; the federal government has contributed some of its financial resources. It is also likely that fees and surcharges will be part of the solution as well, along with bonds and contributions from the private sector. Ultimately, a consensus is needed on the urgency of the infrastructure and environmental problems facing us. The economic stakes make it truly a national issue.
1.3 The Year of Evolving Solutions

Following the video, John Doherty, CEO of the Alameda Corridor Transportation Authority, further emphasized the scope of the problem facing the goods movement industry, particularly in Southern California. 39,000 TEUs are handled each day at the Ports of Los Angeles and Long Beach. How will it be possible to handle three times that amount over the next two decades? Longshoremen, truckers, warehousemen and rail personnel are all vital parts of the solution.

Mr. Doherty argued that progress has been made and that the industry’s response has evolved over recent years. 2004 was the year of awareness. The industry woke up to the fact that the system was fragile at all nodes and that the future would be challenging. 2005 was the year of infrastructure, with the industry focusing attention on the improvements needed to avoid another peak season crisis. This was the topic of the 2005 Town Hall. As a result 2005 was also the year of evolving solutions, a time when all stakeholders were forced to be creative in order to increase capacity in the short term. His list of the top solutions included extended gate hours, temporary cargo diversions, new orders for container ships, and user fee proposals.

Mr. Doherty argues that 2006 must now be the year of action, but with the economy and environment in balance. Do we clean up the air first and then grow or can we do both at the same time? The communities are skeptical of the willingness of government and industry to fight for the environment as hard as they fight for infrastructure. This point was central to the Town Hall discussion.

2.0 Town Hall Panel Discussion

Following John Doherty’s presentation moderator Richard Hollingsworth, President and CEO of the Gateway Cities Partnership, Inc. introduced the 8th Annual Town Hall Panel and asked an opening question to focus the discussion. The panel included State Senator Alan Lowenthal, 27th California Senate District; Richard Steinke, Executive Director of the Port of Long Beach; Barry Wallerstein, Executive Officer of the South Coast Air Quality Management District; Joe Gasperov, President ILWU Local 63; Patty Senecal; Chair of the Intermodal Unit of the California Trucking Association; John Ficker, President of the National Industrial Transportation League; and Richard Powers, Executive Director of the Gateway Cities Council of Governments.

Mr. Hollingsworth began by asking Senator Lowenthal, who has proposed a number of pieces of legislation encouraging or mandating operational changes at the ports, how much legislation is actually able to accomplish and what additional actions the Senator was willing to take to bring about change. The Senator responded that the most important thing he has done is to be persistent. His awareness of port-related impacts began with coke piles. In 1992 he considered himself to be a lonely voice; but the role of the legislature has changed over the years.
Legislation can help by being a catalyst and getting everyone to the table. In some instances, legislation is needed to *encourage* change (for example, turn times for trucks and encouraging Best Business Practices). In other instances however the legislature needs to use its sledgehammer to *force* change. It was the threat of legislative action for example, AB 2041, that encouraged the industry to implement PierPass. Finally, the State has come to realize that it has to be at the table in order to create the climate for action. The Senator thinks the bond package to appear on the November 2006 ballot is an example of this.

Mr. Hollingsworth posed his second question to Richard Steinke. He asked how ports can remain competitive and still address community and environmental concerns. Mr. Steinke responded that ports can facilitate change, particularly when lease negotiations occur. The Green Port initiatives for example encourage, cajole or require industry to act; and measured results are now being realized in the areas of yard equipment emissions among others. Mr. Steinke also cited a new agreement with Pacific Harbor Line to replace locomotives with cleaner burning fuel. He also added that it is important for ports to improve infrastructure within their facilities. This includes rail facilities; although he warned that it is not possible to build your way out of this problem. Smarter solutions are needed, and not just more infrastructure.

Barry Wallerstein was asked how the environmental community balances the needs of the environment with the need to preserve the economic livelihood of the region. He responded using the perspective of air samples. The South Coast Air Basin has the worst air quality in the nation despite recent progress. There are 2000 premature deaths in the region each year because of pollution; and health costs exceed the costs of cleaning up pollution. Yet you have to have a strong economy to fuel environmental efforts. Technology exists to help. The ILWU Green Ships Campaign is a good effort. Timing and resources are critical to get community support. The good news is that all stakeholders now appear to be on the same page.

Mr. Hollingsworth asked Joe Gasperov of the ILWU what the union can do to help reduce ship emissions by 20% in four years. He responded that the goal is to reduce the emissions 20% by 2010. The ILWU’s approach is to get the support of carriers and shippers and work with other officials and other unions internationally. He emphasized that union members are both dock workers and community residents. They are interested in the growth of trade because it means jobs, but are insistent that it can be done cleaner and better. Vessels burn the dirtiest fuel. The union has always fought hard for workers and for social issues. The question of the environment combines the two.

Patty Senecal was asked what the trucking community can do to make its contribution. She stated that trucks made before 1993 cannot be retrofitted. The CTA supports a prohibition on their registration. This forces truck drivers to upgrade their vehicles which can reduce PM emissions by 90%. This is an important first step. 2006 trucks have the same standards as 1994 trucks. New regulations come into effect in 2007. There will also be low sulfur fuel standards in 2006 which will have an immediate impact. The larger problem is developing a long-term sustainable program to help drivers replace their older
vehicles. The Gateway Cities Program helps replace trucks made before 1986; but the program needs more money.

There are 10-12,000 trucks servicing the intermodal industry operating in and around the ports. The average trucking company size is 25 trucks or fewer. This is a fragmented industry and enjoys no anti-trust exemption. Drivers need new trucks on a long term basis. The rest of the supply chain can help by making sure trucks are processed more quickly at the ports. Truck-only lanes are also needed.

Mr. Hollingsworth asked John Ficker what it will take for the industry to consider private financing of goods movement-related improvements. Ficker indicated that Southern California has shown that it is possible to have collaborative efforts. The region is a model. With regard to private financing however, the focus of the industry is on responding to the market place. Constraints force users to look to the value of their investments. That value must be clear, understood and demonstrable. Monies must be directed toward improvements. The industry will be willing to consider private financing when they see the value of doing so.

The final panelist was Richard Powers of the Gateway Cities Council of Governments. The moderator asked him what would be the consequence of not making improvements. He also asked Powers under what conditions the community would support infrastructure improvements. Mr. Powers responded that cities raise their own monies. This is not just the case along the 710 but along other corridors as well. As a result, cities have a lot at stake with regard to infrastructure; trucks mean pavement deterioration, intrusion, and congestion for businesses and commuters. Emissions however are of greatest concern. The number one issue for our communities is health/air quality. A project must be able to reduce air quality impacts and action must be taken before construction begins.

2.1. Questions from the floor

Following the preliminary question, Mr. Hollingsworth invited questions from the audience. Questions were taken from the floor and from cards submitted to the moderator.

What is the likelihood of a federal tax to support infrastructure development and other programs, including green ports and security measures?

Mr. Steinke responded that the ports have pleaded with the federal government. The local ports are also America’s ports and want to receive a fair share of funds related to the movement of cargo. He argued that the Ports of LA and Long Beach should not have to compete with each other for security grants. Part of their responsibility is to educate people outside of the region about the importance of the San Pedro Port complex. The new National Freight Policy Framework is a first time effort. The Harbor Trust Fund has a surplus. Steinke said that it is important to impress upon Washington that LA-Long Beach has to be considered in discussions about these and other issues.
Senator Lowenthal added that financing goods movement involves a 3-legged stool. Is the federal government going to pay its fair share? What about state monies and the private sector? Accountability and dollars are needed from all three. Goods movement involves a system of stakeholders, not just the ports; and the money has to be directed toward improving air quality, green infrastructure and port security.

John Ficker offered that people can make a difference at the state legislative and federal policy levels. SAFETEA-LU, the most recent transportation reauthorization bill, had no real emphasis on freight. Policy makers need to hear from people about the importance of goods movement.

Patty Senecal added a cautionary note. Be careful who controls the federal tax. Local control is important.

How do we identify means to solve problems collaboratively?

Richard Steinke said that it’s beginning Community leaders have started to generate dialogue. There is frustration however with the time frames needed to accomplish things. This presents a perfect opportunity, but building trust is important.

There is a concern among ILWU membership that the efforts to regulate goods movement focus on Los Angeles and Long Beach. Is there any attempt to design programs for all West Coast ports or all US ports to avoid measures that would stifle growth in any one place?

Senator Lowenthal stated that it is true that legislative efforts have singled out Los Angeles/Long Beach because these ports are world leaders. The problems are here. If Southern California waited for the Federal Government, things would never get cleaned up. But the region is dealing with problems via the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC) and the West Coast Waterfront Coalition. The leadership is still local. The legislature is not trying to penalize Southern California; rather it’s trying to get lessons for elsewhere.

Is there a way to do a complete cost/benefit analysis so we better understand the impacts of goods movement and identify the fair share cost for retailers and importers?

Richard Steinke suggested that the environmental review process might be the time to do it but is not sure if all costs can be calculated. Senator Lowenthal added that until recently, some hidden costs were not included. However it is now known that the public health costs are $6.5 billion. The Public Policy Institute of California (PPIC) is looking at these issues; but there is still a need for a comprehensive report.

What are the lessons of the I-710 with regard to community support?

Richard Powers said that the process was contentious at the beginning. It has to be a bottoms-up approach with continuous dialogue. Trust and partnering will determine whether or not the project succeeds or fails.
Patty Senecal added that it was an epiphany for many: community concerns were the same as those for the trucking community. Putting forward recommendations is a profound experience. The more often trucking is at the table, the better.

New technology is available. Is anyone taking the lead on pursuing grant programs for purchasing or leasing electric vehicles?

Senator Lowenthal stated that it is important to move to 0 emissions technology. There are incentives at the state level but those monies have run out. It is no longer possible to just widen freeways. As a society, we have to get away from our existing dependence on fossil fuels. You can’t invest in a system that can’t work.

Barry Wallerstein added that there are Air Quality Management District grants to modernize fleets (truck, cruise ships, yard hostlers, etc.). It is also hoped that any proposed bond measure will contain additional grant monies. Diesel engines have a long, useful life. Incentives are needed to change current operating procedures.

How flexible will the ILWU be with regard to changes, technological and otherwise, that will bring about improvements in the environment?

Joe Gasperov said that the union is committed to moving forward with cleaning up vessels and that it is also pushing for cleaner equipment on the docks (UTRs, etc.) The ILWU is adamant about making improvements in areas where it has control.

Where does the average person go to get involved and make a change? Where do you go with an idea?

Richard Steinke said that union leadership is a good place to start. The ILWU has a great port liaison.

Over the past five years, what changes have you observed in the industry with regard to environmental awareness?

Richard Steinke said that, at a minimum, there is a recognition that industry needs to change. There is now cold ironing and an overall acknowledgement by the business community that changes are needed. In order to get improvements, the industry needs to change operations. It is a “whole new ballgame.”

John Ficker added that there is an increased awareness in Southern California. The industry was caught off guard. Tremendous growth in both goods movement and the overall population brought to light environmental issues.
How do we build trust in the area of goods movement to make sure the transportation infrastructure is included in any bond initiative?

Senator Lowenthal answered that the Senate has worked hard in this area. Air quality and goods movement both have to be funded. People should contact the State Assembly. He said that he wouldn’t support a bond measure that doesn’t include both.

What are the impacts of goods movement on the local water system?

Barry Wallerstein said that there are minimal impacts of air pollution settling out on water.

Senate Bill (SB) 760, which would impose a container fee, would have a minimal impact on the costs of goods. Why is there so much opposition to this approach to paying for needed improvements?

Senator Lowenthal said that he has asked the same question. The Southern CA Association of Governments (SCAG) study on port elasticity says the most important factor for shippers is reliability. They need to see value coming back. The study says that a $190.00 fee is the threshold beyond which goods may be diverted. The user of the system needs accountability however. Those who benefit must pay their fair share. It may be a reasonable way to go.

John Ficker stated that there is a growing awareness that the industry needs to deal with infrastructure; but that regulators should not impose fees, tolls, and taxes without accountability. They must show benefit. There won’t be industry support for fees that go into the general fund.

Patty Senecal said that the trucking industry supports container fees. There is a disconnect in our general understanding of the value of cleaner trucks. New clean trucks have value. Container fees should be part of the mix in paying for them. The market doesn’t always do the right thing.

Is it possible to convince the federal government to implement a policy regulating vessels arriving in the US? Where is the steamship line in this debate?

Senator Lowenthal said that the arguments are falling on deaf ears in Washington. The US needs to set standards so no one port is disadvantaged. A national policy is needed. John Ficker said that the US Department of Transportation’s national goods movement policy framework includes environmental objectives. People need to call the Department of Transportation about it.
Richard Hollingsworth asked one final question to close this portion of the evening’s proceedings. He wondered if Southern California is on the cusp of a sea change in how the region deals with cargo in Southern California.

Senator Lowenthal said that 5-6 years ago, he wasn’t aware of the impacts of diesel pollution. Now everyone understands. As a region, we need to help shape the global economy or we’ll be overrun by it.

Richard Steinke added that we need to think differently or cargo will go someplace else.

Barry Wallerstein thought that the stars were aligned and that the economics are right for change to occur. In his opinion, this is the most important opportunity in 20 years. It is the right time.

Joe Gasperov believes that the ILWU has a better understanding of issues tied to health and the environment. The union looks forward to growth and decreased pollution.

Patty Senecal said it is a time of change. She sees a lot of progress and political will. Monies will come so trucks don’t inhibit growth. She quoted LA Harbor Commissioner David Friedman in saying that it now has to be about “show”, not “tell”.

John Ficker concurred as did Richard Powers. Mr. Powers said that there is forward movement and the potential for partnership with cities to secure the millions of funding dollars needed; but trust is still the key issue for the community.

2.2  Summary of the Panel Discussion

Dr. Genevieve Giuliano, Director of the METRANS Transportation Center, offered some concluding remarks that served as a summary of the panel discussion. She commented that she heard three key themes emerge:

1. There is pressure to solve problems.
2. There are windows of opportunity.
3. Local control is critical.

She said that we all learned how interdependent we really are. More dialogue occurs under pressure. It is a potential catalyst for change because talk can lead to action.

There are windows of opportunity however that must be recognized. The stars are aligned now because the 2004 congestion crisis forced action. The 1000 new ships on order offer a window opportunity to use technology to make goods movement cleaner. The ILWU Green Ships effort is an opportunity because the ILWU has significant influence in international issues.
With regard to local control, Dr. Giuliano noted that there was obvious disappointment with local government. Southern California voices are not heard effectively. This may in fact be another opportunity. It forces local leadership to identify inventive solutions. This is possible because the area is so dynamic and because the problems are so large.

Dr. Giuliano concluded by stating that you can’t compromise competitiveness. The problem is not technology; rather problems are tied to the institutions involved in goods movement. Collaboration takes time however and this collaboration is needed if you are going to develop consensus among the different institutions and stakeholders. And consensus is needed if you are going to get to action. Therefore action depends upon time, collaboration and consensus.

Dr. Domenick Miretti, the ILWU Senior Liaison for the Ports of LA and Long Beach, concluded the evening’s discussion. He echoed the sentiments expressed by many during the course of the evening in saying that all stakeholders should be applauded for the role they played in making the 2005 cargo peak season manageable. However, the forces that created that untenable situation are still present and continue to challenge daily goods movement activities. He added that the ports-related monetary component of recent proposals, including those at the statewide level, fall short of anticipated needs.

Dr. Miretti also expressed a concern that there was a possible crisis looming in the area of trucking. The average age of a port draysman is 54. Potential younger drivers are seeking employment elsewhere.

Other strategies are needed to solve these problems and reduce truck traffic and speed up the flow of cargo. They include more on-dock rail, more near and off-dock container transfer facilities, virtual container yards, local shuttle trains, sophisticated terminal throughput systems and an expansion of PierPass.

The goods movement industry faces numerous challenges. Paramount among them is the inability to address common issues in a meaningful manner. The ports must grow but they must also be made greener. Accomplishing both will be difficult because the industry speaks with many voices instead of one when serious issues demand resolution. Distrust, disapproval and lack of engagement are still common in the industry. Dr. Miretti commented that the Town Hall in fact should have greater representation by some industry segments. He asked where the leadership would come from to choreograph greater industry-community cooperation.

He concluded however on a brighter note. The federal government has taken notice of the challenges and is developing the framework for a National Freight Transportation policy; and the Town Hall serves as a starting point challenging stakeholders to seek solutions in balancing the economy and the environment. Working together is the measure of success.
ACKNOWLEDGEMENTS

Funding to support the development of these Proceedings was provided by the METRANS Transportation Center through grants provided by the US Department of Transportation and the California Department of Transportation. Comments provided by the Policy and Steering Committee of the Center for International Trade and Transportation at California State University, Long Beach are greatly appreciated. All errors and omissions are the responsibility of the author.

A Special Thank You to the Town Hall Sponsors and Industry Endorsements

Sponsors:

United States Department of Transportation

Long Beach Business Journal

Industry Endorsements:

California Marine Intermodal Transportation System Advisory Council • California Trucking Association • Gateway Cities Council of Governments • Gateway Cities Partnership, Inc. • Harbor Transportation Club • International Business Association of Southern California • Los Angeles Custom Brokers and Freight Forwarders Association • Los Angeles Transportation Club • Propeller Club of Los Angeles-Long Beach • Women in International Trade • Women’s Transportation Seminar Los Angeles • World Trade Center Association Los Angeles-Long Beach