



# WHAT IS GOING ON IN CALIFORNIA: What Does It Mean?

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# Topics To Be Covered

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- Background
- Initiatives by the Ports of Los Angeles and Long Beach
- Initiatives by others
- What does it mean

# A Variety of New Costs and Processes

- Port clean air initiatives
  - Waterside
  - Landside, particularly diesel engine emissions from drayage tractors at the Ports of Los Angeles and Long Beach, e.g. Clean Truck Programs – today's topic
- Port related capacity expansion and mitigation projects
  - Harbor
  - Marine terminals
  - On-dock rail terminals
  - Neighborhood impacts
- Inland infrastructure projects
  - Rail access
  - Highway access
  - Neighborhood impacts

# There Are Two Drivers

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- Reducing diesel engine emissions
- Raising funding for expansion projects

And, many other agendas, too

## Why Is This Occurring

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- Two dominant reasons
  - Federal and state mandates to clean up the air, particularly in “non-attainment” zones and by the California Air Resources Board (ARB) and local air quality management boards (SCAQMD)
  - Expansion plans have been stymied by air quality and environmental justice concerns, particularly involving the Ports of Los Angeles and Long Beach
- Combined with a desire to leverage various emerging sources of funds; e.g. Prop 1B bond funds plus local per container fees

Plus, there is

- The NIMBY mentality
- A litigious attitude by some
- A social engineering component championed by some

## LA and LB – Clean Truck Program

- Concession Agreements -- Effective October 1<sup>st</sup>, entry limited to approved drayage companies
  - Annual fees (per company of either \$2500 or \$250 and per truck of \$100)
  - Incentives for concession holders (up to \$30,000 per year) for 2007 model tractors based on trips conducted
  - Mandated business model and operating practices
  - Including employee only drivers at Port of Los Angeles
  - Pre-'89 tractors prohibited (with exceptions) reduced from 22 percent to 5 percent as of November 1, plus additional prohibition until only 2007 model (or later tractors) by 2012
  - Number of companies and trucks “submitted application” as of November 1 are: Los Angeles 750; Long Beach 832
  - Special rules/fee for “infrequent visitors” with fewer trips
  - Lots of other considerations; still evolving

## LA and LB – Clean Truck Program

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- “PortCheck” (formerly Clean Truck Fee) is a per container fee of \$35 per 20 foot unit and \$70 per unit over 20’ assessed on the beneficial owner of the goods (BCO)
  - Exemption if a “clean” engine truck is used; hence, self-terminating by 2014
  - Collection scheduled to start November 17; postponed again
  - Lots of process issues/questions/rules
  - Receipts to be used to fund Ports’ grants for clean tractors
- Port’s Infrastructure Cargo Fee, ICF, is a fee for each loaded import or export container to be paid by the BCO
  - Effective January ’09
  - \$15 per TEU, \$30 per FEU
- PierPASS fee is an existing surcharge for each container handled between 8 AM and 5 PM; \$50 per TEU, \$70 per FEU

## LA and LB – Clean Truck Program

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- Truck Replacement Program
  - Assistance with acquiring new, clean emission tractors
  - Financial grants up to \$50,000 per new tractor; with special incentives for alternative fueled (LNG) tractors
  - Availability of pre-ordered tractors
  - Availability of maintenance vendors for tractors
  - Funded by a combination of the Port fees and the State of California 1B bond proceeds



## LA and LB – Other Than CTP

- Many waterside initiatives, e.g.
  - Slow steaming within 25 miles
  - Exhaust capture rather than cold ironing
- Many community initiatives, e.g.
  - Funds to retrofit schools
  - Plans to construct new barriers

As a result of these initiatives, local port expansion programs that had been held up for environmental concerns now have the prospect of being considered

## Other Ports

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- Oakland
  - Has a Clean Air Program
  - There is tremendous pressure on the Port to enact a “LA-like” Clean Truck Program; but it is awaiting the outcome in LA/LB even while threatened with lawsuits for non-action
  - Has a major study of the drayage industry in progress
- San Diego – announced, but nothing specific, yet
- Seattle – announced, but nothing specific, yet
- Others in U.S.
  - Many believe they do not have a clean air “problem” because they are not in an EPA non-attainment area
  - Many have an expansion plans that need funding
  - All are waiting to see what happens in LA/LB
  - Not a national issue/topic – yet

## Initiatives by Others – Federal

- ON TIME (Our Nation's Trade Infrastructure, Mobility and Efficiency Act, H.R. 5102); proposed federal legislation for infrastructure improvements within a given radius of the port through which a loaded container passes; paid by BCO based on value of the cargo
- MOVEMENT Act of 2008 (Making Opportunities Via Efficient and More Effective National Transportation, H.R. 7002); same purpose and funding as H.R. 5102
- Note: Both are introduced by California congressmen but applicable at all ports nationwide

## Initiatives by Others – States

- State of California level
  - Lowenthal bill, SB 974; thrice failed attempt at a statewide infrastructure fee to be paid by the BCO for each container through a California port; vetoed by Governor
  - Proposition 1B Bonds; new bond issues from which over \$1Billion is allocated to various “freight” initiatives including the clean truck replacement plan and various landside infrastructure projects, primarily rail related
- Other states
  - Nothing pending that is known to be specific to deep water ports
  - But lots of initiatives on controlling diesel emissions; the most prominent topic is anti-idling regulation

## Initiatives by Others – Local

- Local level – Southern California
  - Proposed container fee by Southern California Associations of Governments (SCAG) to be paid by port and railroads (presumably passed through to the BCO; \$30/TEU, \$60/FEU)
  - Proposed rail user fee by SCAG to be paid by railroad (presumably passed through to the BCO; \$15/TEU, \$30/FEU)
  - Alameda Corridor – fee for each container handled by rail; paid to railroad by BCO (now mostly “imbedded” in rail rate); averaging \$18/TEU and \$36/FEU
  - City of Long Beach – one year moratorium on truck transfer and truck terminal facilities to study more stringent zoning controls for truck uses
- Local level – Elsewhere; none known to be pending

# What Does It Mean

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- Need to fund infrastructure improvements is real
- Need to fund clean trucks is real
- The psychological component (avoid California) is real, for some
- “All-in” incremental cost of new regulations has many parts
  - They are but one input into global trade management; hence, they must be considered in the context of the entire transaction
  - Efficiencies will have to moderate increases in the price of inputs
  - There will be port diversion of discretionary cargos; it has started
- The details will get more complex
- Expect anything; pace is not slowing, resolve is not waning

 • Tjoga  
~~More to come in California~~

# Closing

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- **STOP, THAT'S ENOUGH!!!**
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