Goods Movement Strategic Solutions

Introduction

On May 22, 2007, the Senate Transportation and Housing Sub-Committee on California Ports and Goods Movement (Senator Alan Lowenthal, Chair) held an informational hearing on two goods movement strategic solutions; container fees and PierPass' OffPeak.

John Ricklefs, Ph.D., Chief Economist for Moffat & Nichol Engineers, Inc. defines user fee as follows:

> A fee charged to the user of a specific service or facility, the fee for which does not exceed the reasonable value (benefit) received by the user of the specific service or facility for which the fee was charged and which is not levied for general revenue purposes.

The legislators and witnesses contributed to an informative dialogue that addressed the two objectives of the hearing:

1. The economic and diversionary impacts of a freight user fee on goods movement
2. A review and evaluation of the PierPass OffPeak program

In both California and Washington State, legislative transportation committee leaders introduced bills imposing container fees at public ports in their state.

The recent history of such legislation goes back to 2001 when Senator Betty Karnette, then chair of the California Senate Transportation Committee, released the pre-print of a container fee bill that immediately generated more than 90 protest calls from industry. Senator Karnette explained that container fees were her approach to pay for needed port-related infrastructure, and invited industry to offer revenue alternatives. None were put forth.

From 2001-2006, California legislators and staff worked with industry, notably members of the Waterfront Coalition, to develop criteria and standards for a mutually agreed approach to container fees.

A set of key principles emerged based on the concept of placing container fees in a “lock-box” that could be spent only on a project-by-project basis. Projects would be tied to a systematic build-out to enhance capacity and vetted in each case with industry. The funding authority tied to specific projects would sunset with their completion.

In California’s 2005-06 legislative session, Senate Transportation and Housing Committee Chair, Senator Alan Lowenthal, introduced a container fee bill, Senate Bill 927 (initially Senate Bill 760). Senate Bill 927 successfully moved through the legislative policy process in the summer of 2005. At this point, the industry asked Senator Lowenthal to hold Senate Bill 927, in order to give the industry time to develop a fee structure implementation proposal. Over a year later, in August 2006, the industry offered the tolling of freight roadways as a fee structure implementation proposal. This option was not acceptable. Senator Lowenthal’s bill passed the legislature and was vetoed by the Governor, who stated the following:

> Although the policy objectives of Senate Bill 927, to develop more secure ports, congestion relief and environmental mitigation, are laudable, this measure is flawed in its construction, application, lack of accountability and failure to coordinate with other public and private financing sources ignoring opportunities to leverage additional funding.

Senator Lowenthal introduced container fee legislation, Senate Bill 974, in the current 2007-08 California legislative session *(See Background Material and Witness Presentations)*.

Another objective of the hearing was to have testimony presented that would offer an evaluation of the PierPASS OffPeak program from its own administrative body, from impacted dock and driver work forces as well as, from the terminal operators of Southern California.

In 2000, then-Assemblymember Alan Lowenthal became interested in learning why, after several years of double-digit growth at the San Pedro Bay Ports, terminal operators, truckers, shippers, and distribution centers were unable or unwilling to expand the hours of operation. Assemblymember Lowenthal believed that extended hours would “spread” the drayage and would have a positive impact on the congestion and unnecessary truck idling.

Based on information gleaned from stakeholders and the understanding that typically, port terminals elsewhere operate around the clock, Senator Lowenthal decided to introduce legislation to provide an incentive-based structure for extended hours. The Assemblymember informed those in the industry that he would have much preferred to see an industry solution.

Shortly thereafter the Marine Terminal Operators of the two ports sought and received authorization from the Federal Maritime Commission to meet as a body to discuss and formulate an industry business plan.

In February 2004, Assemblymember Lowenthal introduced AB 2041, which called for an extended gate program at the ports of Long Beach and Los Angeles to ease the increase of congestion during prime commute times *(See Background Material and Witness Presentations).*

In 2005 the Marine Terminal Operators inaugurated PierPASS, as a not-for-profit company that works to reduce congestion and improve air quality in and around the Los Angeles and Long Beach ports. PierPASS is responsible for managing the OffPeak program, under which terminals are open longer and later from Monday through Thursday and, for the first time, on Saturdays. Trucks entering during the new hours of 6:00 P.M. and 3:00 A.M. are exempt from the fee charged for moving goods during the peak hours.

As a result of the collaborative effort by the Terminal Operators, Senator Lowenthal withdrew the bill in August, 2004.

Industry in establishing this program claimed:

- They responded to the needs of the port community, local authorities and policy makers;

- Believed infrastructure improvements were years away; and

- Thought opportunities to expand the ports were limited.

Truckers and the International Longshore and Warehouse Union (ILWU) expressed from the outset their concern over the transparency of OffPeak's finances and accounting. From the beginning, the trucking community has felt that some of the fee should be passed along to them, as it is with the ILWU in their being afforded a wage differential for nighttime work as determined by the labor agreement with the Pacific Maritime Association, the administrators of the labor contract.

The purpose of this panel was to provide an update on whether or not OffPeak has accomplished what AB 2041 would have achieved and to learn about PierPASS's long-term business plan.

STAFF FINDINGS

The witnesses and legislators contributed to a creative and innovative dialogue, which gave rise to the following findings:

- California ports handle more than 40% of United States' ocean container trade.
- The Panama Canal Expansion with new locks is projected to capture 60% of container tonnage by 2025.
- Ports in Mexico and Canada are now proposed to provide additional and alternative gateways into North America.
- There is a growing recognition on the part of cargo owners to address harbor drayage trucks and diesel emissions in the ports. This is fundamental to being able to move forward with infrastructure projects.
- As of 2006, environmental issues became a part of the Waterfront Coalition's public policy and mission statement.
- A critical element to the goods movement and air quality debate on private sector contribution and investment is the method of collection.
- A $30 Port User Fee (PUF) at California ports will have a minor impact on diversion and voyage costs.
- PierPASS has effectively moved 25% of daytime moves to off peak. Most stakeholders see the system maturing as experience governs change.
- It is universally accepted that the conveyance of goods will require moving to a 24/7 and fully-staffed operation in the Southern California region.
- While PierPASS has provided "breathing space" for the goods movement industry, this change in business practices will not, by itself, provide sufficient capacity using present modes of transportation.

- There exists in the minds of other stakeholders concerns and reservations about this program which must not be ignored. Quality of life issues for both drivers and impacted communities coupled with matters pertaining to productivity and levels of staffing seem to be of greatest and most immediate interest.
- There must be continuing investment of time and commitment by all stakeholders to address ongoing flaws in this newly-crafted solution.
- PierPASS serves as a model of public private partnerships necessary to effectuate solutions to the myriad challenges facing this burgeoning industry. Many different models for such collaborative efforts will help determine the direction for responsible growth.

OPENING REMARKS

Senator Lowenthal, Chair of the Senate Transportation and Housing Committee and the Sub-Committee on California Ports and Goods Movement, convened the hearing with the following observations:

- The senator has been focused on legislation that will address the $3.1 billion goods movement and air quality reduction investment that is part of the historic $19.9 billion transportation infrastructure bond the people of California approved in November 2006:
    1. Senate Bill 9 - addresses the implementation of the Legislature's guidelines for the $2.1 billion investment for the trade corridor improvement account.
    2. Senate Bill 19 - will set the terms and conditions for the California Air Resources Board (CARB) to deal with the $1 billion investment for air quality reductions related to goods movement.
- In maintaining California's leadership role as the gateway for United States trade flow and given the importance of the goods movement and logistics industry, California's infrastructure is woefully inadequate.
- As a consequence of this staggering growth, a public health crisis of a magnitude that we have never known before has developed:
    - 5,400 premature deaths a year that are related to pulmonary disorders.
    - 92% lung development in our children.
    - Some of the highest asthma rates in the nation.

    - High rates of throat and lung cancers which can not necessarily be attributed to genetic or other biological causes, but environmental causes.
    - 70% of the particulates in Southern California are due to mobile sources. The primary culprit of over two-thirds of the mobile sources are the trains, ships, trucks, equipment and the harbor craft that are related to goods movement.
- The California Air Resources Board estimates that by the year 2020 our public health bill for the treatment of disorders, due primarily from diesel particulates that are generated from goods movement, will be about $200 billion.
- Senator Lowenthal has introduced legislation that deals with goods movement, air quality, truck idling, helping the industry promote off peak hours, no net increase, and container fees. This has been done with the focus of promoting better practices, creating better infrastructure, and reducing air pollution.

Panel 1 – The impact of user fees on goods movement

<u>Panelists</u>

Paul Bingham – Principal Consultant for Global Trade and Transportation Practice – Global Insights

Robin Lanier – Executive Director, Waterfront Coalition

Erin Green - Principal for Green and McGrath Associates

Mr. Bingham set the stage for the impact of the user fees portion of the hearing with a Powerpoint "big picture" presentation that clarified global trade trends and provided some new insights *(See Background Material and Witness Presentations)*.

- Imports and exports continue to increase as a share of the United States economy (Gross Domestic Product).
- World container trade has been growing faster than the world economy, though the gap is narrowing.
- U.S. import growth has been influenced by more than the underlying demand for lower priced consumption goods.
    - Global logistics sourcing by industry
    - Emergence of global trading blocks
    - Growth of regional trade facilitation

    - Harmonization of trade and regulatory policies
    - Trade security standards and information flows
    - Increasing freight traffic and congestion along trade corridors and at ports and border crossings
    - U.S. dollar decline against trade partner currencies
- California ports' share of United States ocean container trade has increased while traffic has grown.
    - California ports handle more than 40% of the United States ocean container trade.
- China's United States import market penetration in some sectors is reaching saturation.
- China has additional United States commodity market segments yet to capture.
- As China broadens its markets, the United States becomes less important, even while the United States - China trade volume triples.
- Total United States logistics costs are now increasing, as a share of the United States economy (percentage of Gross Domestic Product).
- Transportation still makes up most of the total logistics costs (62%) in the United States.
- The Panama Canal Expansion with new locks is projected to capture 60% of container tonnage by 2025.
- Ports in Mexico and Canada are now proposed to provide additional and alternative gateways into North America.

Mr. Bingham concluded his presentation with the following statement:

> Up and down the coast we have problems where the demand exceeds the long term capacity that is projected today. But, I do not want to overstate the case in terms of saying that there is no choice other than a California port.

Ms. Robin Lanier, Executive Director for the Waterfront Coalition, which is a group of concerned business interests representing shippers, transportation providers, and others in the transportation supply chain, testified on user fees from the view of cargo owners.

Ms. Lanier indicated that she did not want to spend a lot of time discussing Senator Lowenthal's container fee bill (Senate Bill 974), but wanted to talk about a proposal that the Waterfront Coalition and a number of other organizations put forward at the end of March 2007 *(See Background Material and Witness Presentations).* The proposal addressed how to pay for infrastructure and the diesel emissions issue from trucks operating in the harbors of California.

The proposal on the infrastructure side lays out a series of principles for public/private partnerships and identifies a number of projects.

Ms. Lanier pointed out that the proponents of the proposal needed to have some idea about what each of those projects would cost. They believe it is important to focus on the projects, that in fact, this debate is very often about reaching consensus on projects before getting to the point of how much it is going to cost.

Ms. Lanier stated that there is a growing recognition on the part of cargo owners to address harbor drayage trucks and diesel emissions in the ports and this was fundamental to also being able to move forward with infrastructure projects. Moreover, environmental issues were not a part of the Waterfront Coalition's public policy and mission statement until 2006. The Waterfront Coalition's proposal provides a short list of projects that are very important to the organization and an industry proposal for getting rid of dirty trucks operating in California.

In addressing the harbor drayage trucks and diesel emissions elements of the proposal, Ms. Lanier indicated that her members were asked what they thought it would cost to replace diesel trucks operating in Southern California to a 2007 statewide standard. Ms. Lanier's members reviewed a series of questions about this issue with their trucking companies. The answer that came back was to replace old trucks with 2007 diesel trucks, thus the dray rates, without any other program in place, for Southern California would increase by $100-$150 a dray.

Ms. Lanier reported that the Waterfront Coalition had a series of meetings with the California Air Resource Board (CARB) and others in which they tried to impress upon them the fact that the way to look at truck replacement in California is not to look at owner/operators, but to recognize that there is a stream of customers that need to have trucking. She emphasized that the bottom line is that her members all agree that trucks need to be cleaned up and they all believe that the most sustainable way to clean up the trucks is for the state to set a standard, issue regulations and then get out of the way and let industry pay for it.

Senator Lowenthal asked Ms. Lanier what the cost would be to meet the 2007 diesel truck standard.

Ms. Lanier responded with the following statement:

> The cost of meeting that standard is going to be built into the rate itself. Anything other than that, like a fee that you would collect, is not really sustainable. Building the cost of operating and cleaning up trucks into the dray rate is the way to go. There is one other advantage of this. You do not spend any of the billion dollars in bond money that has been identified for emissions reduction. You do not spend a dime of it on replacing trucks. You have the industry itself paying for that mitigation, and that means you have more money to spend on things like grade crossings and other projects.

Senator Lowenthal posed the following question to Ms. Lanier; What you are saying is you are going to raise the drayage fee, just for the trucks to $150, however, with the state's proposal (Senate Bill 974) or the other proposals, the drayage fee is much less. How does that not move the cargo elsewhere?

Ms. Lanier responded by indicating that Senate Bill 974 is an unconstitutional tax and there is no guarantee where the money goes. Moreover, Ms. Lanier felt that Senate Bill 974 is an administrative cost that collects the fee and then puts it in a place and spends it on something else. With regard to the Ports of Los Angeles and Long Beach's proposal, Ms. Lanier stated:

> We asked our members to find out what the cost of that proposal is, because it is quite anti-competitive in the way it would go forward. It would require some following of assets that are publicly bought with a public subsidy, which we have fundamental problems with. The cost of that program is $250-$300 a dray. And at $250 and $300 a dray we will divert. At $100-$150 we are still below the studies that are out there that say trade will divert.

Senator Lowenthal asked what the difference was between $30 a container fee versus $150 a container fee.

Ms. Lanier indicated that the state's proposal is not going to be sufficient to buy enough trucks and also pay for infrastructure. The $100 or $150 is still within the limits of studies that have been done that indicated these costs would not have much impact on moving trade elsewhere.

Senator Lowenthal asked who would be paying the increased drayage fees.

Ms. Lanier responded by stating:

> We are telling the motor carrier industry that my folks have a relationship with, that they must run trucks that meet a certain standard… The industry will figure out a way to meet that standard just like they figured out a way to meet hours of service or any other standard.

Senator Lowenthal asked, if there was a statewide standard, why do you not just pay those rates into a fund and do it correctly?

Ms. Lanier stated that it is much more direct to set a standard and let the market pay for the trucks. She indicated that this is the way the California Air Resources Board (CARB) does it for every other industry.

Ms. Lanier's testimony returned to a brief overview of the Waterfront Coalition's rail and highway infrastructure projects. The Waterfront Coalition's top priority projects are the Southern California International Gateway project which is the Burlington Northern Santa Fe Railway's (BNSF) near dock rail yard in Los Angeles, and improvements to the Intermodal Container Transfer Facility (ICTF) that the Union Pacific railroad runs that is also near dock. She indicated that these rail projects will be funded entirely out of private contributions by the railroads. In terms of the price per container, Ms. Lanier stated that it is hard to figure out what that would be, but there would be some price per container.

The other projects are the I-710 and a group of projects that all fall within the ports themselves; the replacement of the Desmond Bridge, State Route 47, and the I-110 connector projects (this group of projects are a subset of the projects that the ports have recently announced as part of their Clean Air Action Plan). These projects would cost $1.5 billion. The ports are projecting a private contribution to those projects of about $400 million. In addition, the ports are anticipating approximately $390 million of bond money plus any federal funding.

Ms. Lanier indicated that the industry had no problem with the estimated $400 million private sector contribution. The debate with the ports has been the method of collection of the private sector's contribution whether it is a toll or a container fee or whether you apply that fee to intermodal rail that does not use highway projects or whether people who pay the Alameda Corridor fee would be exempt.

Senator Lowenthal inquired why a container fee for those projects is not unconstitutional.

Ms. Lanier responded with the following statement:

> No, because it is a user fee for those projects, if you structure it correctly. I mean this is where the debate has been. If you set a container fee for those projects and you apply it to rail users that are paying the Alameda Corridor fee, and not using the highway, then you have some issues. Those folks would say that is an unfair fee, because they are already paying for the privilege of using the Alameda Corridor, why ask them to pay a fee for using the bridge when they are not draying.
>
> There has been a pull and tug about how you collect the fee, so that you meet the principles that we have laid out in our paper. One of the principles of that paper is the user pays.

In response to Senator Lowenthal's question about cars paying bridge tolls and how to pay for the I-710, Ms. Lanier stated that the issue of cars is in the debate, if you go in the direction of tolls. With regard to the I-710, Ms. Lanier indicated the Waterfront Coalition would like to see truck only lanes on the I-710 and assumes that only trucks would pay for the truck only lanes. The principle here is that the user of the infrastructure pays. The ports and the Waterfront Coalition have not reached agreement on how to collect a fee, however. The ports have a proposal where the $400 million private sector contribution would be the equivalent of a $20 container fee. She stated that, if the $20 container fee for the infrastructure is added to the $150 proposed for the dray, this would represent a $170 to $180 a container. She observed that this is getting very close to the $200 per container mark that Professor Leachman and others have suggested is the point at which the industry begins to divert from California ports. Ms. Lanier indicated that this is a little more than 10% of the published shipping rate from Asia to the United States of $1500.

Senator Lowenthal stated that billions of dollars were needed to address grade separations. Ms. Lanier indicated that the trade community was open to working with a corridor authority on those kinds of issues. She further stated:

> The main point we want to make is, if you go the regulatory route or the standard setting route for the truck replacement, and you do not use any of the billion dollars in bond money to buy trucks, but instead you expect the industry to figure out a way to pay for that itself, then you have got quite a bit more money available to put into other projects that will have significant emissions effect like grade crossings. We fundamentally believe that using 30 year bond money on things like grade separations that have a longer life is a much better use of taxpayer money than using 30 year bond money to buy a five-year truck and that building the replacement of the truck into the drayage rate is much more sustainable.

Senator Lowenthal pointed out that the bond money had specific requirements for infrastructure and air quality investment and could not be commingled. Ms. Lanier stated that the Waterfront Coalition's proposal on setting a state standard for clean trucks was a means for the state to leverage the bond money.

Ms. Lanier concluded with the following statement:

> I have to tell you that the shippers I represent, in particular, may have been late to understand the issue. But once they really understood the issue, the more they realized that it is critical to internalize the cost of a clean truck. That is actually the cost of doing business from their point of view and should be treated as such. And that is, quite frankly, the most sustainable way to move forward.

Erin Green presented the results of a study that evaluated the potential impacts of port user fees or container fees on shipping traffic to California ports *(See Background Material and Witness Presentations).*

The purpose of the study was to answer the questions; given the economic structure of marine shipping on the west coast, to what extent will port choice be affected by port user fees assessed in California?

The study evaluated; if a port was to assess a user fee of $30, how much would that increase the price of shipping on the waterside cost; and if the fee were assessed, to what extent would ships divert to alternative ports?

The study was based on the following criteria:

- Evaluation of over 5,000 container ship calls to United States' west coast ports including the California ports of Los Angeles, Long Beach and Oakland.
- Voyage cost analysis model to analyze port user fee impacts on voyages to the ports of Los Angeles, Long Beach and Oakland. This voyage cost analysis model included such variables as main and auxiliary engine fuel costs, labor expenses, canal dues, existing fees and other operating expenses.
- Evaluation of port choices for observed ship routes using the empirical data of over 5,000 container ship calls.
- Examination of the voyage cost data and observed port demand behavior to estimate the ship traffic diversion to other major west coast ports.

The findings of the report for California on average were:

- A $30 Port User Fee (PUF) increases direct foreign voyage costs by 1.5-2.7%. The study conservatively amplified the cost differential for voyages, given that direct leg voyages from one foreign port to California ports represented multi-port voyages.
- The cost impacts to a China multi-port voyage which is a common circuit, shows there was only a .3-1.4% increase for these voyages.
- Examining data with conditions, as is, the study estimated that Port User Fees could cause a 2% diversion of ships from California ports.

Ms. Green stated that the observed behavior of ship calls indicated that there was a strong preference for California ports. Even with greater costs to Los Angeles and Long Beach compared to the ports of Seattle and Tacoma.

The findings for the impact of Port User Fees on California Ports were:

- For the Ports of Los Angeles and Long Beach, a $30 fee per Twenty-Foot Equivalent Unit (TEU) would increase waterside voyage costs by 1.5-2.5% on average. This is a high estimate given that only single leg voyages were observed.
- Implementing a $30 Port User Fee at the Ports of Los Angeles and Long Beach would result in overall ship traffic diversions of less than 1.5%.

- For the Port of Oakland a $30 fee would increase waterside voyage costs by 1.5-2.7%.
- Implementing a $30 Port User Fee at the Port of Oakland would have an overall ship traffic diversion of 2-4.5% from Oakland.

Panel 2 – PierPASS's OffPeak – nearly two years later

Panelists

Bruce Wargo – CEO, PierPASS

Peter Peyton – Secretary, Local 63, International Longshore and Warehouse Union

Mike Mitre – President, Local 13, International Longshore and Warehouse Union

Jim Flanagan – General Manager Regulatory Affairs, APM Terminals Ltd.

Dick Coyle – Chair, Northern California Intermodal Conference of the California Trucking Association

Mr. Wargo offered an overview of the first 21 months of PierPASS off peak movement of goods through the terminals of Los Angeles and Long Beach.

- The willingness of the Terminal Operators to create an off peak incentivized program came about as a result of severe congestion on the docks during the peak seasons of 2002 and 2004.
- Terminal Operators formed a discussion agreement group and were given permission by the Federal Maritime Commission to discuss the setting of fees for such a program.
- PierPASS is a 501 C4 not for profit corporation.
- PierPASS collects a traffic mitigation fee for peak hour moves and uses those fees to offset the cost of five additional service terminal gates.
- All 13 terminals joined ranks to initiate the program.
- PierPASS drove off peak movements of cargo from 4-7% of limited activity to more than 33% on prescribed nights.
- The San Pedro Bay ports have had two peak seasons of uncongested cargo movement since the initiation of PierPASS.
- Three truck driver surveys have been conducted by PierPASS. These three studies identified that:

    - A majority of those surveyed are making more money
    - More trips are being made due to less congestion
    - Drivers enjoy flexibility of working days, nights or a combination of both.
- The Board of Directors of the Marine Terminal Operators as well as a stakeholder Advisory Committee meet regularly to evaluate the success of the program.
- Overall, PierPASS is viewed as effective and positive by reducing daytime congestion, thus providing more flexibility of operations by shippers and have improved the trucker's experience.
- PierPASS was originally projected to move 20% of cargo. It now moves approximately 36%.

Peter Peyton provided a review of dockside labor's experience with PierPASS. During his presentation, Mr. Peyton added comments pertaining to a broader strategic and innovative planning process in order to accommodate future conditions.

- The impact of PierPASS has been felt from the beginning.
- PierPASS is one solution that has produced results.
- Truck turns have not measurably increased during off peak hours of service.
- This may be caused by the lack of fully staffed gates on the terminal docks during the off peak shift.
- Focus for growth should be toward high velocity with low impact.
- All those having an interest must confront the matter of moving cargo through urban centers.
- Federal funds to help "fix" the problem are nearly non-existent. The long-term problem is the ability to continue moving discretionary cargo through California ports while the population of the Southern California region grows by nearly one-third.
- Local community impact must be addressed while accommodating a growing economic sector.
- There is a window of opportunity for long-term strategic planning, "20/20 for 2050".
- It is crucial that answers be found by looking at systemic solutions.
- Funding these projects will be a huge job.

- Innovative strategies to move goods in an entirely different way will create new forms of public/private partnerships.
- The initial strategy must occur with the public and private sector coming together, committed to forming a variety of partnerships designed to improve (change) the movement of goods through our state.
- The goods movement industry constantly changes. 21st century solutions are demanded now.

Mike Mitre, representing the 20,000 members of his local, also appeared as a panelist. He offered further insights into PierPASS. Similarly, Mr. Mitre focused on the future beyond this one new business practice.

- He congratulated PierPASS on their success.
- The effort accomplished the immediate goal.
- This is a good example of this industry having the flexibility to change systems in order to facilitate the accommodation of increased cargo.
- It was the most obvious short-term response to periods of heavy congestion on the docks.
- PierPASS is the beginning of action by the entire goods movement industry to address continuing challenges.
- All changes seem to be based on past actions and methods rather than by looking ahead.
- Given the increased volume, cargo will not be able to move through inland residential centers.
- Union members are impacted, as well.
- All possible solutions must be explored. What may have appeared ridiculous 10 years ago may have merit to this changing industrial sector.
- The International Longshore and Warehouse Union have doubled its nighttime workforce.
- Class B members have increased. A Class B longshoreman is a member that has moved out of the “Casual” classification (entry level).
- All workers are assigned out of union dispatch halls.
- Dispatchers receive many requests to work nights by union members.
- The night shift has a different environment

- Given the popularity of the shift, the union has a reliable workforce on the docks during off peak hours.

Jim Flanagan contributed a perspective on PierPASS from the terminal operator's point of view.

- The total volume in 2006 at Pier 400 was 1.8 million gate moves. 810,000 additional off peak moves were generated during this period.
- APM's off peak volume rose from 20% to 45% of all gate moves.
- Maersk no longer has an all-wheeled facility at Pier 400.
- The facility is open until 2:30 – 3:00 A.M. with Longshore labor present.
- Maersk Terminal is a full service night shift.
- From the terminal operators view, PierPASS has been a success. It did what it was supposed to do.
- Of concern is that all night time moves are done between 6:00 P.M. and 10:00 P.M. Terminals are nearly deserted after 10:00 P.M. This needs to be resolved.
- 55% of moves take place between the hours of 8:00 A.M. and 5:00 P.M. and 45% in the 4 hours between 6:00 P.M. and 10:00 P.M.
- In general two-thirds of the off peak hours moves in 4 hours and one-third afterwards.
- Maersk is the exception to this rule.
- In part, the velocity is driven by the reality of business practices on behalf of the distribution centers, warehouses and final destinations. Many of these still remain open a limited number of hours.
- An unintended consequence of PierPass is that an active off peak terminal operation prevents "grooming" of the container piles in preparation for the mornings pick ups.

Dick Coyle presented the evaluation of PierPASS from the perspective and experience of the trucking community he represents.

- This review of the PierPASS program is beneficial. It is recommended it be done again.
- Some of the PierPASS elements are workable.
- A more wide-spread buy-in by drivers would be achieved if some modifications were made.

- Uninterrupted work flows would contribute to a more evenly distributed number of moves being conducted.
- The addition of "hoot gates" (gates open between 3:00 A.M. and 6:00 A.M.) would be well received by drivers.
- Some cargo owners prefer receiving goods very early in the morning to prepare for the day's work.
- Cargo owners demand that moves take place off peak to avoid paying the peak penalty.
- A sizeable number of containers are moved by "dray off", or a fragmented move. Cargo is moved from the terminal, driven somewhere, left overnight and picked up by another truck. These second moves then occur during peak hours. It is projected that upwards of 40% such moves occur regularly.
- Drivers are not given nighttime premium pay.
- Production at terminals is marginally better.
- Turn times are not appreciably better. As a result, income is not noticeably higher.
- Trucking companies incur greater expenses in staffing their offices.
- Problems are often deferred, since no one in authority is present to resolve the situation.
- Terminal operators need to do a more comprehensive effort of having facilities staffed sufficiently to ensure constant work flows.
- Truckers fully embrace a 24/7 operation. Because of the peak fee, many drivers are being forced to drive off peak. The drivers are resentful.

CONCLUSIONS

Senator Lowenthal in his opening remarks stated that the volume of international trade through California ports and trade corridors for the last quarter century has been staggering. However, the infrastructure that helped to facilitate California's leadership role as the gateway for United States trade flow is woefully inadequate. Moreover, the senator observed, that the impact of the trade volume for the past 25 years has created a crisis of historical proportion on the environment and health of Californians living near the ports and trade corridors. In order to maintain this leadership role and effectively address the environmental and health impacts, California must develop creative and innovative 21st century strategic solutions to address these challenges.

The presentations and testimony given by witnesses that addressed, "The Impacts of User Fees on Goods Movement," confirmed four key elements to addressing the challenges Senator Lowenthal outlined in his opening remarks. First, Paul Bingham gave an overview of California's trade gateway competition in Panama, Mexico and Canada. In addition, Mr. Bingham confirmed that the ever growing volume of Asian trade and the current lack of infrastructure to effectively handle it is a reality. Ms. Lanier, a representative of the transportation supply chain, indicated that the industry is open to finding solutions to address infrastructure financing and the environmental and health impacts of goods movement. Finally, Erin Green stated that a $30 Port User Fee would have a minor impact on overall ship traffic diversions and voyage costs.

This testimony substantiated that the challenges of the California's goods movement system are critical and must be effectively addressed in order to sustain the state's leadership role as the nation's trade gateway and logistics center and maintain a quality of life for Californians.

PierPASS continues to be a "work in progress". While having achieved a large measure of success, there are a number of required critical improvements. Accomplishing the resolution of unresolved flaws or unintended consequences, such as the "dray off" outcome will play a role in helping all stakeholders move beyond the current hours of operation, therefore maximizing use of existing assets. This will enable the legislature, state and local governments, as well as the private goods movement sector the opportunity to arrive at decisions strategically.

Transparency of the PierPASS operation is felt to be lacking by both dock and trucking labor. It is important to the success of future efforts that all impacted sectors have a clear understanding about the use of mitigation funds being collected.

Some presenters suggested that this effort must not be seen "as the end all and be all" of operational changes. 21st century creativity and vision must be called upon to contribute beneficial alternatives.

Many formats of partnership will assist in accomplishing both an accommodation to growth and a substantive reduction of emissions in impacted goods movement trade corridors.

Given the time restraints of the hearing, questions of importance still remain.