

STATE OF CALIFORNIA

SENATE TRANSPORTATION & HOUSING COMMITTEE

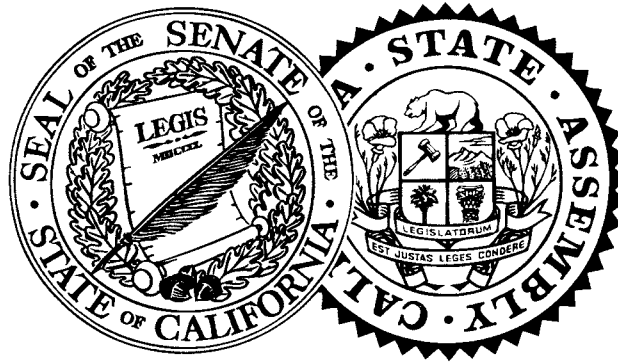
SENATE SUB-COMMITTEE ON CALIFORNIA PORTS & GOOD MOVEMENT

ASSEMBLY SELECT COMMITTEE ON PORTS

*Goods Movement Meltdown
What Should the State's Strategy Be?*

JOINT HEARING SUMMARY REPORT

Senator Tom Torlakson
Senator Alan Lowenthal
Assemblymember Betty Karnette



WEDNESDAY, MAY 4, 2006
STATE CAPITOL, SACRAMENTO

STATE OF CALIFORNIA

SENATE TRANSPORTATION & HOUSING COMMITTEE

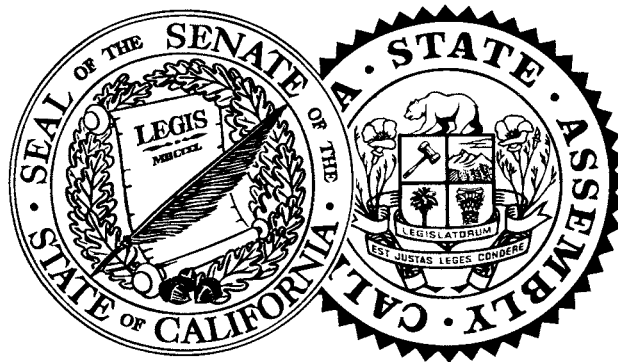
SENATE SUB-COMMITTEE ON CALIFORNIA PORTS & GOOD MOVEMENT

ASSEMBLY SELECT COMMITTEE ON PORTS

*Goods Movement Meltdown
What Should the State's Strategy Be?*

JOINT HEARING SUMMARY REPORT

Senator Tom Torlakson
Senator Alan Lowenthal
Assemblymember Betty Karnette



WEDNESDAY, MAY 4, 2006
STATE CAPITOL, SACRAMENTO

Table of Contents

	<u>Page</u>
Introduction.....	3
Staff Findings	3
Legislator’s Opening Remarks	4
The Witnesses.....	5
Illustrating the Meltdown and the Need for a State Strategy	
Getting Products to Market – Current and Emerging Realities	
Ensuring California’s Primacy as the Global	
Gateway to the Nation - The Administration’s Plan	
Federal Reauthorization: What is in it for California’s	
Goods Movement?	
How Do We Maintain Our Competitive Edge?	
Ports v. People: Does it Have to Be This Way?	
Experiencing the Daily Frustrations of an Outdated Infrastructure	
Public Comment	25

Goods Movement Meltdown – What Should the State’s Strategy Be

On Wednesday, May 4, 2005, the Senate Transportation and Housing Committee (Senator Torlakson, chair), the Senate Subcommittee on Ports and Goods Movement (Senator Lowenthal, chair) and the Assembly Select Committee on Ports (Assemblymember Karnette, chair) held a joint hearing to explore strategies and policies that would best address the present and future challenges facing California regarding the efficient movement of goods. The four-hour hearing attracted an audience of more than 200 people.

STAFF FINDINGS

The witnesses and legislators contributed to a robust dialogue that was rich in information. After reviewing the testimony and written material, the staff offered the following findings:

- Goods movement is a major component of the California economy. However, the economic benefit is tempered by the financial and environmental burden goods movement is creating. In order to effectively address this problem, California must concurrently address economic and environmental issues.
- California’s “Goods Movement Meltdown” problem is the growth of trade moving through our ports, communities, and trade corridors, without corresponding expansion of transportation infrastructure, and is compounded by the state’s population growth.
- Legislators expressed interest in the development of a statewide, systematic, and fully integrated goods movement planning effort. They felt that in order for this planning effort to be strategically and effectively implemented, there would need to be: A blue ribbon commission; objective cost benefit analysis of project investments; performance standards; and public/private partnerships with clearly defined risks, responsibilities, and participation.
- Legislators want to ensure that the planning decisions and the policies to be established have short- and long-term goals and benchmarks to maintain a sustained implementation effort.
- Most of the panelists addressed the issue of port and goods movement capacity. Legislators agreed that in the short-term, California must maximize the utilization of its current infrastructure.

In order to efficiently and effectively achieve this goal, there must be better utilization of our existing infrastructure and better coordination and cooperation among all parties and stakeholders who are involved with and impacted by goods movement.

LEGISLATORS' OPENING REMARKS

Senator Torlakson convened the hearing and stated that we are here to listen, learn, and look at strategies to effectively deal with the goods movement challenges in California. Those larger challenges have been variously characterized as a crisis in one part of our transportation system that is in a general crisis or a “meltdown” in the making.

Approximately 40 percent of the nation’s seaborne imports move through California ports. Given this huge trade impact and a growing volume of goods, how do we more effectively keep the goods moving and maintain the job growth of one of California’s core economic components, international trade? We want ensure that trade grows in a healthy way, with the least adverse impacts, and in a way that creates the most jobs and benefits to the quality of life for all Californians.

Assemblymember Karnette stated that the community of people attending the hearing could inform the planning decisions that could effectively meet California’s goods movement challenges. She emphasized that it is critical to act in the most strategic and efficient manner to address air quality, safety, congestion, and security issues.

Senator Lowenthal observed that four or five years ago a legislative hearing on our infrastructure assets would not have drawn much attention. Trade and goods movement is the future for this state and will generate jobs. Working together is essential in order to figure out how we are going to move goods efficiently and effectively and rid our ports, our docks, and highways of congestion.

He further noted that there is no single source that we can point to in seeking to resolve congestion, air quality, and quality of life issues for those living along our transportation corridors. We must take a total systems approach. We can not just fix and deal with one part of the problem: “we really must look at the totality. We’re only as strong as our weakest link, and so in part we must identify where those weaknesses are in this entire chain.”

Senator Soto noted that goods movement presents a host of problems for the Inland Empire, as well as, positive benefits. On the one hand, economic benefits are produced by the nation’s largest port complex,

which creates thousands of good jobs for the Inland Empire. On the other hand, the freight boom is causing congestion on our freeways causing longer commutes and impacting the safety and quality of life in our communities. She emphasized that she is committed to helping develop 21st Century solutions.

Assemblymember Aghazarian opined that it is no coincidence that our Canadian and Mexican neighbors and other states are beginning to invest heavily in port structures and facilities. He noted that, if we do not act promptly and correctly, we stand to lose a vital engine to the California economy to competitors in other states and nations, and that's to no one's best interest.

THE WITNESSES

The three policy committees invited 15 witnesses, organizing them into six panels. Each panel was asked to address specific questions. The panelists were invited to provide more detailed written information to supplement their oral testimony.¹ [See the **yellow** pages.]

Panel 1 – Illustrating the Meltdown and the Need for a State Strategy

Panel 1 Questions

1. Please provide an overview of the importance of goods movement to the state's economy.
2. Discuss the present and future challenges the state face regarding the efficient movement of goods.

Panelist

Gill Hicks*, Chair, California Marine & Intermodal Transportation System Advisory Council (CALMITSAC)

Addressing the economic impact of goods movement, Mr. Hicks stated that California provides 40 percent of the U.S. water-borne commerce. In 2004, the major customs districts (Los Angeles, San Francisco, and San Diego) handled \$400 billion in trade; he projected that the figure would be \$513 billion by 2006. L.A. and Long Beach Ports alone account for about two million jobs nationwide.

¹ The witnesses whose names appear with an asterisk (*) provided written information, which is included on yellow paper in the appendix to this report.

Mr. Hicks remarked that managing the growth in trade, strategically and efficiently, is the primary present and future challenge facing California. He substantiated this position with the following statistics: Today the Ports of L.A./Long Beach handle 13.1 million twenty foot equivalent units (TEUs) and the Port of Oakland handles about two million TEUs. By 2020, the Ports of L.A. and Long Beach are expected to handle 36 million TEUs and the Port of Oakland six and a half to seven million TEUs.

Mr. Hicks indicated that the “economic benefits of trade that we see throughout California are being challenged by valid concerns over congestion, pollution, capacity constraints, and funding limitations.” Given the strategic planning and implementation efforts needed to maintain the continued economic growth that the current and projected trade volumes demand, the environmental impact issues and concerns must be addressed. Therefore, “we need to pursue both the economic and environmental objectives concurrently and not one before the other.”

In the legislators’ discussion that followed Panel 1, **Senator Soto** inquired about the volume of empty containers. **Mr. Hicks** informed the Senator that at least 30 percent of the volume moving through the ports of L.A./Long Beach consists of empty containers. Most of them are going westbound, overseas. **Mr. Hicks** identified a strategy, the “virtual container yard,” to try to minimize the movement of “empties” by trucks. **Mr. Hicks** explained: Currently, a loaded imported container will go to an importer and then it will be sent back by truck empty. An exporter will get an empty container dispatched from the harbor, and of course, it comes back loaded. The goal is to match up the importer and the exporter so that empty containers are trucked across town rather than back and forth to the harbor. Mr. Hicks indicated a desire to see progress in this regard over the next 12 months.

Senator Lowenthal asked **Mr. Hicks** about the CALMITSAC strategic planning effort (AB 2043) and the Administration’s strategic plan, and inquired as to the status of each of these efforts. **Mr. Hicks** indicated that CALMITSAC was in the process of outlining the report and in the next seven months would be working closely with the Business, Transportation, and Housing Agency and the California Environmental Protection Agency on its Phase I strategic planning effort, as well as on other planning efforts underway throughout the state.

With regard to the Alameda Corridor, **Senator Torlakson** inquired about the history of the project from idea to implementation, cost and how that compares to the magnitude of the challenge ahead. How can we help our state agencies with our planning process to assist in shortening the time frame for the other critical projects that will enhance the flow of goods in

California? **Mr. Hicks** indicated that the \$2.4 billion on-time on-budget Alameda Corridor took 18-years from conception to operation. With regard to the kind of projects and process needed to meet California's goods movement challenges, Mr. Hicks responded by saying that we do not have 18-year time horizons and that consensus building is essential to address the billions of dollars of investment needed. **Mr. Hicks** emphasized that that is essential to focus on high priority projects, and develop a finance plan rather than trying to create a fund and then invent projects to match the fund.

Panel 2 – Getting Products to Market – Current and Emerging Realities

Panel 2 Questions

1. From your perspective as a cargo owner, what are the most significant problems and challenges regarding the efficient movement of goods to, from and through the state?
2. What is your industry doing to help address these problems?
3. Is there a new or emerging trend in your industry that you believe will have a significant impact (e.g. Just-in-Time Delivery)?
4. What are your recommendations for improving the movement of goods in the state?

Panelists

Marie Robinson*, Regional Director, Toys “R” Us

John Isbell*, Director, Corporate Delivery Logistics, Nike Corporation

Rick Gabrielson*, Senior Manager-Import Operations, Target Corporation

The second panel gave the shippers' (i.e., the owners of the contents of containers) perspective on goods movement. Marie Robinson, Regional Director for Toys “R” Us, began by stating that, “American business today needs a reliable supply chain that is secure and capable of delivering an uninterrupted flow of export and import cargo. The congestion delays that shippers experienced in Long Beach/L.A. and on the rails in 2004 have us as shippers making contingency plans for 2005. Carriers are following the shippers' lead to diversify their port usage by realigning vessel streams to reduce the exposure in Long Beach and Los Angeles.”

Ms. Robinson further explained,

As shippers we don't see ..., a clear direction or vision for the future. Despite a clear trend on the part of importers to diversify ports of entry, the fact remains that the ports of Long Beach and Los Angeles are going to remain the principal gateway for Asian imports. What we need from the federal and state government is a coordinated effort to develop a long-term plan to address how we

can increase the productivity, efficiency, and throughput of all American blue (deep) water ports, especially the ports of Southern California and the landside infrastructure.

Recognizing that current state and national infrastructure is not sufficient to meet the needs of shippers, Ms. Robinson suggested that federal funding needs to be directed to freight movement issues. She also suggested that American railroads need tax incentives to invest in their infrastructure and that shippers need to work together to best utilize the current infrastructure.

Ms. Robinson also outlined two emerging trends that are impacting the current goods movement situation. First, the increasing number of new vessels with transport capacity of up to 12,000 Twenty-Foot Equivalent Units (TEUs) will further overwhelm the rail and trucking industries, as well as create larger inbound surges at ports. Second, shippers are aggressively diverting freight to ports outside of Southern California. Accordingly, shippers are diversifying port usage.

In concluding, Ms. Robinson gave an overview of another emerging trend, transload operations.

Available land in the Inland Empire, a good labor pool, the economics of moving product inland in 53-foot trailers instead of smaller containers, and the ability for retailers to delay the final distribution of their products until after receipt from overseas has led to the surge in the growth of transload centers (facilities that receive cargo from the ports in order to reconsolidate cargo for just in time delivery). These centers are in addition to the regional distribution centers that are also located in the Inland Empire to support the population of California. This increases even more the congestion and the competition for the infrastructure that's currently in place.

John Isbell, Director of Corporate Delivery Logistics for Nike Corporation, was the second panelist. He began with the observation that the 90 to 110 trains moving out of Southern California will double by 2010. Mr. Isbell noted that in order for railroads to have the capacity to meet the growing demands of trade, state and federal tax incentives for railroad infrastructure investment will be required.

In addressing what the shippers are currently doing to address infrastructure investment, Mr. Isbell identified the port and terminal fees that shippers pay for port infrastructure, security, and environmental improvements. In addition, he pointed out that gasoline taxes paid by harbor trades drivers and terminal operators help to pay for highway and off-dock infrastructure improvements.

Mr. Isbell's concluding remarks were about the newly created PierPASS program (a nonprofit organization created by marine terminal operators to help reduce congestion and improve air quality in and around the ports of Los Angeles and Long Beach).

It's probably one of the best programs of a collaborative nature between private industry and Sacramento ... a collaborative process led by and initiated by the Waterfront Coalition (a group of business and transportation and supply chain interests). PierPASS is a good example of all stakeholders coming together to help solve the congestion problems at the Long Beach/Los Angeles harbors. Under pressure from Sacramento, the fee-based program is designed to encourage shippers to ship 40 percent of the current truck containers during nonpeak hours. Fees will be collected on those containers that are moved off the terminals during peak hours that are not using the Alameda Rail Corridor. The fees will be used to compensate terminal operators for operating night gates. The fees will go away once critical mass is achieved and the program can sustain the cost of operating night gates.

The final panelist, Rick Gabrielson, Senior Manager of Import Operations for Target Corporation, reviewed the shippers' recommendations to help address goods movement in California. Mr. Gabrielson stated that given the shippers' ability to provide the needed insight on the issues and challenges from a business perspective and the clout to help drive change within the industry they would like to be engaged in a collaborative problem solving process. He added that "finding mutual understanding as policies are created will allow policy makers to have broader support from the shipping community and other key stakeholders as proposed legislation is introduced."

Mr. Gabrielson suggested that one way of developing a comprehensive plan is to develop a Blue Ribbon Panel or Commission made up of key stakeholders. He presented the following overview of such a panel.

While some of you may be thinking that we already have too many panels or groups addressing this issue within the state, we do need a group that is cross-functional at the state and federal level that includes all stakeholders, including shippers. The charter of this group would be to develop a plan that encompasses those initiatives and projects that provide the infrastructure needed to meet the demands for the year 2020 and beyond. Many of the initiatives needed to make our ports fluid involve projects that are linked outside the state and, as a result, must be cross-functional at both the state and federal level. The panel must be driven by the Secretary of Transportation, Secretary Mineta, the Governor, and should include legislative leaders of this body. But, it should also

involve shippers who can help provide insights about future business direction.

During the legislators' discussion that followed Panel 2, **Assemblymember Karnette** asked **Ms. Robinson** to clarify the all-water route that Toys "R" Us. was using. **Ms. Robinson** indicated that east coast imports were flowing through the Panama Canal and landing at east coast destinations. In addition, **Ms. Robinson** indicated that the Suez Canal all-water route is another alternative being explored.

Senator Lowenthal asked **Mr. Isbell** to address the issues of PierPASS not starting on time. **Mr. Isbell** stated,

The first thing was a need to get organized and allow the terminal operators to talk in a collective fashion. It has to get approved by the Federal Maritime Commission (FMC), so that the terminal operators could collectively talk and discuss this program, and implement this effort, which took awhile. Then the organization, through the vetting process, had to determine which company could best represent and manage PierPass program. State and Local Solutions, Inc. (ACS), was selected. This company ... had to be brought in to make modifications to the system. I think the other thing was working with the ILWU; and making sure they understood what was happening here, and making sure that jurisdictional issues were being addressed according to the contract with the International Longshoremen's & Warehousemen's Union (ILWU) and all those things were taken care of. In addition, the process of selecting a partner and developing the systems connectivity were time consuming.

Panel 3 – Ensuring California's Primacy as the Global Gateway to the Nation – The Administration's Plan

Panel 3 Questions

1. Please discuss the administration's Goods Movement Action Plan.
2. What steps can be taken to ensure that this plan is sustainable across administrations?

Panelist

Sunne Wright McPeak, Secretary, Business, Transportation and Housing Agency

Secretary McPeak stated that she and the California Environmental Protection Agency Secretary, Alan Lloyd, were co-chairing a cabinet work group to listen and gather information from stakeholders and develop an

action plan. The hearing was the first formal setting to review the plan with the Legislature.

Secretary McPeak gave the following overview of the administration's process and planning effort:

We very carefully tried to craft what we thought was a responsible approach to what is clearly an opportunity and a challenge for this state, and a fact which has also been stated, that goods movement is in every part of our life every day. It's an opportunity for future jobs. It is a challenge for communities that surround the ports and the corridors of moving goods, and it certainly is essential as we view it to our economy moving forward.

So, I just want to underscore a few things in this policy statement. First, that we recognize that ports and goods movement is a high priority for the state and that we need an efficient, safe delivery of goods from our ports to our borders. And at the same time that the environmental impacts from goods movement must be reduced to ensure a protection of public health. We are absolutely committed to improving the infrastructure for goods movement. And when we say infrastructure, we do mean it's an entire system. It involves seaports and airports, by the way, rail facilities, dedicated truck lanes, logistics centers, and our border crossings.

Secretary McPeak indicated that the plan's primary focus would be on four corridors in the state (Ports of LA and Long Beach through the Inland Empire/San Diego border region including Ensenada/Port of Oakland through 580 and 880 up to the Port of Sacramento/the central valley).

The Secretary continued with the following statement concerning the contribution of goods movement to the state.

Goods movement is a huge contribution to the state. Today it's \$200 billion to California's economy and from that the taxes that are paid locally and to the state are about \$16 billion. We see that there is the potential for this industry to double in the next 15 years ... But, the infrastructure is very constrained. And even as we have looked to improving the infrastructure in these four corridors, as we project the growth which is substantial, the increase in containers coming through is almost mind boggling. But, if we do improve the infrastructure to handle that, California's share of both exports and imports will only remain static at about 11 percent ... Just to keep up with the share of the industry and the potential for volume means we've really got to take action now.

Secretary McPeak indicated that the first phase of the administration's plan had identified \$4 billion of goods movement infrastructure improvements already in the pipeline and that more than \$40 billion would be needed to handle the projected doubling of California's trade volume. She also stated that a business plan with insured and protected funding commitments would be in place by year's end.

The Secretary concluded her testimony with the following remarks:

What can we do to help each other and all those in the audience? All of the people you're going to hear have really been toiling in the vineyard and have plowed the ground already. They know what needs to be done. We are in the mode of prioritizing so that right now we can speak with one voice from California to our congressional delegation when federal reauthorization is happening. ... Our commitment is absolutely real to reducing impacts on the communities, on public health, on the environment, but, the resources to do that depend on being able to generate them out of an industry that also can be successful in California. We will share with the federal government and our delegation, that we want to partner with the U.S. Department of Transportation on routes of national significance. We know from all of these charts how much flows through California to the rest of the nation, and there's every reason why we should be partners.

In the legislators' discussion that followed panel 3, **Senator Kehoe** asked the Secretary if the administration was going to complete the action plan by the end of the year. **Secretary McPeak** stated that the timeline on the action plan was to complete phase one and phase two report by the end of the calendar year. The Secretary clarified the phase one and phase two reports with the following statement:

... As we say, the why and the what. That is why should we be doing something? Why is it important to the economy? Why is it essential to improve the environment? And the what, is the inventory of what improvements need to be made for transportation, what improvements need to be made for the communities for reducing environmental and health impacts. Second phase will be the how, when, and who. And I really want to talk about that. The how being how, what are the priorities, and how will we fund it? What is our proposal? The when, is the timing of it and the staging which comes back to project delivery? And then having those pieces in place, we can have an intelligent and fruitful discussion about who. Who are the partners and what are the institutional arrangements that are going to be needed to carry this forward? We want to support what is already happening locally and within the region and not overstep our boundaries.

Senator Lowenthal asked the Secretary about the steps needed to sustain the administration's planning effort over time. **Secretary McPeak** felt that the response to the goods movement challenge would need to be staged in phases, in order to be successful. She further stated that, "the second phase of the action plan would be much more of a business plan with the most critical improvements being laid out, ... by the end of this calendar year, so that we could actually put together an investment program. When I say that I mean to identify the funding streams, what's flowing locally, regionally, from the state, from the federal government with also hopefully, a partnership with the various players in the private sector."

The Business, Transportation and Housing Agency Undersecretary and Senior Advisor for Economic Development, **Barry Sedlik**, made the additional observation:

The system that we have now was not even envisioned 10 or 15 years ago in terms of how containers are unpacked and the just-in-time types of services that exist that were not even conceived when the Alameda Corridor was being put together. So we need a plan for the long haul; we need to maintain that communication with all the players including those that are ultimately heavily involved in paying for it, because that will give us the biggest clue in terms of direction, in terms of the infrastructure, how we operate this system, and how we can keep the environmental impacts to as low a level as possible.

Senator Soto said that she would like to see a plan and a list of priority projects. **Secretary McPeak** indicated the California Transportation Commission was reviewing a set of performance standards that would assist in identifying the projects and help calculate the investment to achieve the goals of the planning process. **Secretary McPeak** observed that the completion of Alameda Corridor East, I-710 improvements, and all the modifications of operations at the ports of Los Angeles and Long Beach were at the top of the list.

Panel 4 – Federal reauthorization: What's in it for California's Goods Movement?

Panel 4 Questions

1. Discuss your agency's efforts to assist the State of California in improving the movement of goods.
2. Discuss the status of the federal transportation reauthorization bill and the federal marine transportation proposal and how they will benefit California's goods movement infrastructure.
3. Should the federal customs fee be invested in port-related infrastructure and security costs?

Panelist

John Jamian*, Interim Administrator, Federal Maritime Administration

Mr. Jamian began with a brief outline of the Administration's reauthorization proposal, The Safe, Accountable, Flexible, and Efficient Transportation Act, A Legacy for Users (SAFETEA-LU). He indicated that the \$284 billion, six year surface transportation proposal for federal funding contained several elements designed to address the nation's freight system. Those elements include dedicated funding for intermodal connectors (that last mile or first mile connecting the nation's highways to ports and other intermodal facilities); new financing tools that will help attract significant amounts of private sector capital, equity, and innovation to transportation infrastructure; as well as better leverage of existing public resources and the establishment of a freight coordinator in each of the 50 states to increase emphasis on freight and goods movement in regional and local planning.

Mr. Jamian addressed the short and long-term need for freight infrastructure investment with an outline of the US Department of Transportation's Freight Action Agenda: "Our agenda includes initiatives to improve Department of Transportation projects which include finance expertise to develop better freight data, more analytical tools, improve intermodal research and technology, educate the next generation of freight professionals, and advance complicated, multi-modal freight projects that have broad economic impact."

Mr. Jamian stated that the US Department of Transportation had established a Southern California gateway office to help address port growth at the Los Angeles and Long Beach complex. He added, "once a regional consensus is formed around specific projects, the Los Angeles and Long Beach office can greatly facilitate the timely development and completion of those projects. We do need a consensus, however, on regional priorities."

Mr. Jamian concluded with the following thought,

The challenge we face is ensuring that our intermodal transportation system is as seamless and efficient as possible. Unfortunately, because federal transportation programs have long been compartmentalized into modal stovepipes, it is difficult to ensure that the investments in our transportation network are made in a coherent manner. Secretary Mineta has focused enormous time and effort throughout his career on addressing this problem and our work in this freight area and in putting together a SEA-21 initiative are good examples of that.

To be sure, railroads, motor carriers, and the maritime industry are all competitive businesses seeking system upgrades and expanded capacity which will help to contribute to their own competitive advantage. Moving forward, however, we simply cannot sustain the type of growth that we expect in the early years of the 21st century without a readjustment of our approach to transportation. We must commit ourselves to a cooperative effort that breaks down these stovepipes in an effort to achieve a common good. I truly believe that the initiatives and the proposals that I have described here today begin that readjustment process and we look forward to working with all of you along that way.

In the legislators' discussion that followed Panel 4, **Senator Lowenthal** asked if federal customs fees could be invested in port-related infrastructure or security concerns? **Mr. Jamian** indicated that the Office of Management and Budget would have a great deal to say about customs fees, but there was a growing interest and support among freight industry stakeholders to potentially garner customs fees for freight infrastructure investment.

Panel 5 – How do we Maintain Our Competitive Edge?

Panel 5 Questions

1. From your perspective as a representative of the California seaports, what are the most significant problems and challenges regarding the efficient movement of goods in the state?
2. What are the ports of California doing to address these problems?
3. What are your recommendations for improving the movement of goods in the state?

Panelists

Richard Steinke*, Executive Director, Port of Long Beach

Jerry Bridges*, Executive Director, Port of Oakland

John McLaurin, President, Pacific Merchant Shipping Association

Mr. Steinke began by stating that the San Pedro Bay ports of Los Angeles and Long Beach handle 42 percent of all imported containers and that these two ports and the Port of Oakland are three of the four busiest ports in the United States.

Given the current and projected trade volumes, Mr. Steinke felt that managing growth is the ports' biggest challenge. He identified the intermodal container transfer facility (ICTF), built in the mid-1980s, use of on-dock rail, pioneered in the Port of Long Beach, and the Alameda

Corridor as examples of the ports of Los Angeles and Long Beach's forward thinking to address trade volume.

Another significant challenge is congestion. Mr. Steinke outlined the following effort:

The ports, along with the Alameda Corridor and other industry stakeholders, have set in motion a number of initiatives to specifically reduce truck trips on the I-710 and other local freeways as a part of our truck trip reduction program. Many of them have been mentioned, but I will mention them briefly again. PierPASS is a marine terminal operators-led initiative, along with the Waterfront Coalition, that incentivizes truckers and shippers to pick up cargo in the evenings and weekends to spread truck trips throughout the day, versus the current eight-to-five business hours that are more common in the industry at this point. Shuttle trains—the Alameda Corridor has led an initiative to move more local cargo by train to the Inland Empire as opposed to the truck trips that are going up the I-710 and the 60 in Senator Soto's area.”

The new and more advanced technologies like radio frequency identification, optical character readers in marine terminals, and the virtual container yard that matches empty containers between importers and exporters and eliminates empty container movement back to the marine terminal help to increase the velocity and efficiency of cargo movement and address congestion.

Mr. Steinke addressed the environmental challenge facing the ports with following statement,

Another challenge that the ports are committed to is making sure that this inevitable growth is mitigated through environmental stewardship. Both ports in the San Pedro Bay are committed to cleaning the air through new programs. Though the ports' air quality programs names may be different, the commitment is the same. At the Port of Long Beach, the guiding principles of our green port policy are to protect the local community and environment from harmful port impacts, to employ the best available technology to minimize port impacts and explore advanced technology solutions to promote sustainability and terminal design development and operations, to distinguish the port as a leader in environmental stewardship and regulatory compliance, and to engage and educate the community about port development and environmental programs ... Things like the Intermodal Container Transfer Facility (ICTF) and the Alameda Corridor have had tremendous air quality benefits and our new

programs will focus on air quality programs focusing on ships, trains, and terminal yard equipment.

Mr. Steinke's concluding remarks encouraged the California congressional delegation to advocate for California's fair share of the incremental growth of customs revenue fees. This kind of federal commitment would help to support the significant investment that California contributes to the nation's economic well-being, he said.

Mr. Bridges began his testimony by stating that, "Statewide, our container volume is growing five times faster than the capacity of our transportation infrastructure needed to carry this volume." In order to maintain our competitive edge, Mr. Bridges felt that we must view our ports as one system and in so doing, consider the Port of Oakland as part of the solution to the state's goods movement crisis.

Mr. Bridges made a number of suggestions that would help to promote more cost efficient movement of goods. First, in order to maintain the Port of Oakland's major port container competitiveness and provide a relief point for the congestion problems in Southern California, the California delegation must support federal dredging funds for the 50-foot channel project. He also suggested that the Legislature request the Business, Transportation and Housing Agency to develop an interlinked, statewide goods movement program. This effort must have a legislatively mandated statewide funding commitment with realistic and timely implementation goals. The Legislature and the Governor should work together to convince the railroads of the need to increase their rail capacity serving the ports. Mr. Bridges stated that it is critical to construct access improvement to the Port of Oakland's joint intermodal terminal and the Union Pacific rail facility. Investment in shuttle train systems between the Port and the Central Valley would help relieve congestion on roadways and reduce harmful air emissions. Mr. Bridge's final suggestion was for the construction of an outer harbor intermodal terminal that would increase rail and container capacity.

Mr. McLaurin was the final panelist and, noting that the Pacific Merchant Shipping Association (PMSA) members are responsible for handling more than 90 percent of the cargo that moves through west coast ports, made the following statement:

Pacific Merchant Shipping Association and the maritime industry is very appreciative of the attention that is being paid to the goods movement industry in California and to the critical role that the industry plays in the state's economic well-being. For many years our industry, in anticipation of increased cargo volumes from Pacific Rim trading partners, has made enormous investments in

people, equipment, waterfront infrastructure, and technology to improve efficiencies and capacity at California ports. Because of our investment in technology, marine terminals today are moving more cargo per acre of terminal space than just a few years ago. One need only to consider that we've added very little to the total acreage devoted to marine terminals in California, but continue to handle increases in cargo volumes that have grown by double digits in recent years.

You posed a question to this panel, how can California maintain its competitive edge? My answer is California is and will continue to be a huge market for imported goods. Those goods will find their way to market one way or another. Because we are a huge market, and because we have in the past invested in our seaports, our transportation infrastructure, and our private sector cargo handling facilities, we have become a truly world class gateway for international trade. However, the international trade community is very forward-looking. Investment timelines are very long. Decisions about where to invest today will determine the future of goods movement far into the future. We as Californians need to ensure the decisions we make and the policies we establish recognize the long-term and global nature of the international supply chain.

California risks losing its competitive edge if it begins to send signals to the global trade community that it is no longer welcome, imposes constraints on goods movement in ways that prevent the private sector from fully realizing returns on the investment it has made in California, or fails to maintain and improve its public sector transportation infrastructure in a reasonable manner. Our industry recognizes it must work diligently and quickly to address the air quality issues and traffic congestion that result from port activities.

We are also committed to working with state and local governments to address those issues in ways that are appropriate and meaningful to the communities around the ports. We firmly believe California can retain its competitive advantage in the global marketplace and its enviable quality of life if companies, government agencies, community organizations, and committed individuals are prepared to work together in a collaborative fashion.

Senator Ducheny asked **Mr. Steinke** about customs fees and inquired about federal legislation that addressed the issue of returning the money (customs fees) to its source. **Mr. Steinke's** replied, "Both Senator Collins and Congresswoman Harman have co-sponsored legislation that looks at

the incremental increase in customs fees. Right now it is a carve-out specifically related to seaport security in the nation's ports, but our intent would be to broaden that for infrastructure purposes."

Panel 6 – Ports v. People: Does it Have to Be This Way?

Panel 6 Questions

1. What steps should the state take to ensure that there is sufficient skilled workforce to meet the projected growth in trade flow?
2. What are the impacts of the growing use of technology at ports and other points in the global logistics chain?
3. What are the unmet needs for security at west coast ports and throughout the supply chain?
4. From your perspective as an environmental advocate, what are the most significant environmental issues?
5. What are the environmental impacts of projected growth in and around the ports?
6. From your perspective as a representative of local government, what are the significant problems and challenges regarding the efficient movement of goods in the state?
7. What are your recommendations for improving the movement of goods in the state?
8. What is the most effective governance structure to implement and administer goods movement projects that cross more than one jurisdiction?

Panelists

Peter Peyton, Secretary, International Longshoremen's & Warehousemen's Union (ILWU) Local 63 (San Pedro)

Jesse Marquez*, Executive Director of the Coalition for a Safe Environment

Rusty Selix*, Legislative Representative, California Association of Council of Governments (CALCOG)

Mr. Peyton observed that, following the 2004 congestion meltdown in the ports of Los Angeles and Long Beach, an effort to strategically address the capacity, velocity, and reliability in California's freight and transportation system must be developed. He stressed that although a substantial long-term investment will be necessary to address California's goods movement challenges, an effective short term planning and implementation effort is essential in order to achieve long-term solutions.

Mr. Peyton stated that for the first time, the union and the Chamber of Commerce met, developed a consensus that goods movement is a major

issue, and began to deal with it in a responsible and collaborative fashion. He concluded by stating that it's going to take federal and state governments and stakeholders within the supply chain working together to successfully deal with the state and national goods movement crisis.

Mr. Marquez, speaking from an environmental justice perspective, presented the following statement:

Environmental justice communities are often asked why do we oppose port growth and doesn't the port create badly needed jobs in the community and help our economy? Our answer is very simple. If we, the community, had been an active partner with the ports and the future planning of them, we would not be opposing them today. And yes, we do need the jobs. What has really happened over the past years is that ports were planned strictly for business with no considerations for the impacts on local communities. Billions of dollars have been spent on the ports' infrastructure and growth and almost nothing in the redevelopment of the bordering poor communities and the goods movement transportation corridor communities.

The Ports of Los Angeles, Long Beach, and Oakland are unique, because residents live across the street or just a few blocks away and the goods movement transportation corridors are not located in isolated industrial zones, but in fact pass through hundreds of cities passing millions of residential homes. It is our communities that have to breathe the diesel fuel exhaust from ships, from trucks, from trains, and yard equipment every day. It is our communities and children that are suffering from an asthma crisis and numerous other health problems. It is our families and our friends who are dying every day. This is our reality.

Yes, it is true that our population growth has caused an increase in imports, but it's also true that Wal-Mart, Costco, Disneyland, and numerous other companies have dumped U.S. manufacturers causing hundreds of thousands of U.S. workers to lose their job in order to make a higher profit. When red, white, and blue, all-American Disneyland stopped purchasing U.S.-made Mickey Mouse baseball caps in order to purchase cheaper ... China-made baseball caps, they did not drop their retail price. The price remained the same.

Wal-Mart last year made over one billion in net profit in 2004. The Port of Los Angeles makes between \$400 and \$600 million every year in net profit. Now, granted, they do allocate projects and so it's spent every year, but the truth is that they still make a profit

there. Conoco Oil refinery made \$8.1 billion in net profit in 2004 and \$4.7 billion in 2003. So, what you're hearing is that a lot of us that are community-based organizations are doing research into the financial numbers and what we're looking at is that is everyone contributing their fair share, because, oftentimes the public is burdened.

One comment was made by the retail industry earlier that they supported increasing the I-710 freeway to 10 lanes to include trucks. Well, it just so happens that there's not a single community that borders the port or the I-710 freeway that supports trucks being on the Long Beach freeway. And every environmental group is against that. But, however, we did support something. A little over 10 years ago when the Alameda Corridor project was proposed, we supported it. We didn't care if it cost \$1.5 billion or \$2.1 billion, we supported it because the communities saw that 10 years from now, 20 years from now it was going to be needed. But, we did ask for two things. We did ask that the Alameda Corridor have four truck lanes built. We also asked that the trains be electric. And lo and behold, it did not happen. So now we're being asked to add that to the Long Beach freeway or any freeway. Well, our answer today is that we don't support that. But, we do support expanding the Alameda Corridor and the Alameda Corridor East to include those truck lanes. That we do support.

What will it take to move forward? Well, sometimes to move forward requires to first assess where we are and to evaluate whether or not we want to move forward at the speed that we are being proposed to at this point in time. We are told that ports in the goods movement industry is an economic engine, creates one out of seven jobs, generates over \$200 billion annually in revenues for California. Yet, we the public, we have never seen a report that's a comprehensive, cost benefit analysis. We want to see that, because we know we've lost hundreds of U.S. manufacturing companies. We have lost thousands of jobs. Those cost us something. We have read the Union of Concerned Scientists report... the cost to public health care due to air pollution in California is \$22.5 billion. So you subtract \$22.5 billion from \$200 billion, we just lost something there. So we really need to look at that.

But do we have solutions? Yes. Do we have recommendations? Yes. The first one is that we do want to see a comprehensive cost-benefit analysis done. We need to do that. That is not being done. We believe that you need to establish a \$500 million environmental mitigation fund, because we see that the amount of environmental

damage that's been done over the years still has to be addressed. It is not going to go away. We also see that an annual \$500 million public health mitigation fund be established, because we have been impacted. Fifty percent of all children and residents of Wilmington have asthma or some respiratory problem. And the public is subsidizing that cost, so it's not going to go away. It'll just have worse impacts on our economy in the future, so we must begin to plan for it now. We need to budget for it now.

We also support the fact that there needs to be public and goods movement transportation funds. What is our estimate? We estimate that should be \$500 million a year. That's what we think it's going to take to support that.

Mr. Selix, representing local and regional government agencies, stated the California Association of Council of Governments (CALCOG) finds itself in the middle of the different views expressed at the joint hearing and attempting to balance all of the competing interests. He felt that the number one problem of the California goods movement crisis was growth. Although goods movement is an economic opportunity, it is also a financial, environmental, and economic burden. The competition between people and goods movement is on a collision course and if we are unable to achieve efficient and safe mobility, one will crowd the other off the roadways of California.

Mr. Selix stated that added capacity, not only to roads, but to rail and air as well is essential to getting more out of our infrastructure. Mr. Selix suggested that information technology (IT) and intelligent transportation systems (ITS) are critical to address the growth and capacity challenges.

The environmental and safety impacts on local and regional communities are continually addressed by Mr. Selix's association. Mr. Selix stated that, "For our member regional agencies, environmental justice has been made an explicit federal requirement of our regional transportation plans. We have to address that issue and make findings that as we approve projects, we're complying with environmental justice policies."

With regard to funding, Mr. Selix stated that we have no money to deal with the problems in transportation. However, he observed, that perhaps given the cost of delay to the goods movement industry, they might be willing to invest in helping to solve the problem and reduce the financial impact that delays have on doing business. In addition, Mr. Selix, noted that it was equally important that California, since it was subsidizing the nation, get its fair share of federal funds.

Mr. Selix stated that the planning process needed to improve and that the federal planning funds that regional agencies receive are inadequate to address the goods movement issue. Mr. Selix added that public/private partnerships could help address the lack of planning and funding.

On the issue of project governance, Mr. Selix offered the following:

I think the answer that I would have is whatever it takes to get the project funded. It is very, very hard to get these types of innovative financing projects funded. So let's not be stuck in any kind of turf battles that get in the way. If we've got a project that can be financed, let's fund it and create the governance that'll make sure that funding goes through. Ideally it's an existing agency or group of agencies that form a JPA ... so that the coordination with the rest of transportation is built in. If for whatever reason we create a single purpose agency, clearly we need to make sure that the planning is done in coordination with the rest of the system so that we don't create some perverse fiscal incentives.

In the legislators' discussion that followed panel 6, **Senator Torlakson** asked **Mr. Selix** the following questions: How does CALCOG rate the goods movement part or subset of the overall transportation crisis? Is this one of your top priorities to address? **Mr. Selix's** responded with following statement:

First of all, it is the fastest growing segment and the fastest cause of all the congestion that we're facing, and so I think that there are goods movement projects that are among the highest priorities of all of member agencies. We do support it being our top priority in terms of federal funding, and I think that it is the underlying cause of all of our recommendations that cut across both goods and people movement, but I don't think we're in a position to say goods movement is more important than people movement.

Senator Torlakson followed up by asking **Mr. Selix** was to ask if he was aware of the funding mechanisms in the SB 1024 infrastructure bond legislation. **Mr. Selix's** answer was: "I think our members have supported every transportation financing proposal that is presented to you, whether it was bonds or gas taxes or tolls or public/private partnerships or whatever it is. Clearly, we are not spending anywhere near what we used to and what we need to and, you know, frankly, it's a matter of what can get through the political thicket. And whatever can get through the political thicket we're for."

Panel 7 – Experiencing the Daily Frustrations of an Outdated Infrastructure

Panel 7 Questions

1. From your perspective as a representative of the railroad industry, what are the most significant problems and challenges regarding the efficient movement of goods in the state?
2. What is the railroad doing to address these problems?
3. What are your recommendations for improving the movement of goods in the state?
4. From your perspective as a representative of the trucking industry, what are the most significant problems and challenges regarding the efficient movement of goods in the state?
5. What is the trucking industry doing to address these problems?

Panelists

Juan Acosta*, Director Government Affairs, Burlington Northern Santa Fe Railway (BNSF)

Scott Moore, Assistant Vice President and General Manager of Public Partnership, Union Pacific Railroad (UP)

Kirk Lindsey*, President, Brite Transportation System, Inc. and Commissioner, California Transportation Commission

John Geesman, Member, California Energy Commission

Mr. Acosta began by addressing the issue of capacity in two ways. First, in terms of investment, how much are you going to spend? The second way of looking at goods capacity is better utilizing current assets with better coordination, better cooperation between all stakeholders and components of the goods movement system. Mr. Acosta identified the following operational and infrastructure capacity improvements:

- PierPASS Program
- Development of better trade and transportation forecasting
- Implementation of a port-wide terminal appointment system for truckers
- Increasing the use of on-dock rail
- Encouraging ocean carriers to load containers on ship by ultimate destination
- Better coordination and better information sharing between different segments of the goods movement system
- Reducing marine terminal dwell times for containers
- Encouraging \$900 million federal reauthorization funding for Alameda Corridor East grade separations
- New freight rail capacity investment
 1. Colton Crossing
 2. Cajon Pass – third track

3. Tehachapis – additional capacity
4. Port of Oakland - improved rail access and capacity

Mr. Moore began by stating that rail infrastructure is a 21st century solution to 21st century problems facing the transportation systems of California and our nation. He emphasized this with the fact that one intermodal train can take 280 trucks off the freeways. Mr. Moore indicated that UP would be utilizing its intermodal container transfer facility (ICTF) to capacity, which would impact approximately 500,000 truck movements in the San Pedro Bay port area. In addition, UP would be working with the ports of Los Angeles and Long Beach to expand this facility, which could have an impact on millions of truck movements annually. Given the increasing gasoline and fuel prices, Mr. Moore pointed out that railroads can move freight in a more fuel efficient and environmentally friendly way than trucks.

On the subject of public/private partnerships, Mr. Moore stated the following: “In our opinion, the public needs to pay for the public benefits that are derived with public dollars. The private entity should pay for the private benefits that can be derived with our own private dollars. We need to cooperate with the rail experts on planning, and we don’t think public dollars ought to be used to upset the competitive relationship of the industry.”

In closing, Mr. Moore gave the following railroad overview:

Two years ago, in 2003, AASHTO (American Association of State Highway and Transportation Officials) completed a rail study which basically said that in the next 20 years ... just to maintain its existing share of the domestic freight movements in our country, the rail industry would have to invest about \$200 billion. But, the fact is, railroads left to their own devices are probably only going to invest 150 billion in those next 20 years. So, there’s a \$50 billion gap where it would be arguable as prudent public policy for public dollars to be invested if we can find a way to make the partnership work that respects the private railroad, but very importantly, respects what is prudent public policy and prudent for the public.

Mr. Lindsey, a trucking company president and a California Transportation Commission member, began by stating that from June 2003 to May 2005, California has allocated no funding for transportation improvements.

With regard to goods movement, Mr. Lindsey said it was about congestion, increased fuel consumption, pollution, and reliability. Noting that international trade is an important part of the California economy, Mr. Lindsey pointed out that goods movement is also about delivery

gasoline to the local gas station, groceries to local grocery stores, and agricultural commodities from the field to the processor. It is about the whole economy of California. Although the ports are an important and critical part of the goods movement network, he stated that without a transportation system you do not have an economy. He remarked, that as the major gateway for the movement of goods, the world is asking California to foot the bill. Mr. Lindsey identified the challenge to be: how does California protect Californians and its infrastructure?

Mr. Lindsey concluded with the following observation, “Bottom line, end of the day, what’s it all about? The feds have got to pay their fair share. International freight has got to pay its fair share. You must protect funding streams of money within the transportation system in California. I think you must protect domestic carriers that live here, and I would challenge you that if you all are not willing to invest in California’s transportation system, that the feds aren’t, the private sector’s not, the international markets aren’t, if you can’t invest in your own stuff, how can you expect anybody else to invest in your stuff? This doesn’t make good sense to me.”

Mr. Geesman and his staff will publish a series of reports later this spring that will address transportation fuels demand forecasts, assessment of petroleum infrastructure needs and an assessment of the environmental impacts of those infrastructure improvements. The following is Mr. Geesman’s statement to the Joint Committee:

I want to ring a fairly cautionary note, though, as it relates to the Southern California ports, specifically the Port of Los Angeles and the Port of Long Beach. And that is, reconciling the very necessary improvements that are needed in the goods movement area with a growing need for petroleum infrastructure in those ports. ... They tend to center around the Port of Los Angeles and the Port of Long Beach and it’s a real estate-related conflict. There is not very much real estate in either port and its finite real estate. These petroleum facilities are not the most desirable tenants. They are polluting facilities. They take a lot of land. They’re unpopular with the local communities, and they don’t generate as much revenue by a long shot to the ports as container facilities do. But, they are a necessary underpinning to a growing population and a growing economy. They’ve been diminished in recent years. There is a tremendous amount of pressure to move petroleum facilities out of the Southern California ports, and that’s simply physically impossible in many instances because of the proximity of the refineries.

Another major factor underway is the change in what we’re importing in those petroleum facilities or petroleum-related

facilities. Not only are we now importing crude oil, which we've done historically for a long time, but increasingly we're bringing in refined product. And that creates a need for a new storage system, new pipeline facilities, despite what has been heralded as one of the most aggressive, demand reduction policies in the United States... The Commission staff expects the growth in demand for gasoline and diesel and jet fuel to continue inexorably in the future. And that means that we're going to have an increasing need for maritime terminals, storage facilities, and pipelines in the Port of Los Angeles and the Port of Long Beach. Not the same conflict in the Bay Area. Their refineries all have off-loading facilities for themselves, so there's not the level of trade-off with the Port of Oakland that exists in Los Angeles and Long Beach. But, as you move forward in this area and consider the strategic plan that has been mentioned several times today, I would implore you to carefully consider the problem faced by the diminishing availability of real estate in Port of Los Angeles, Port of Long Beach for petroleum import facilities.

PUBLIC COMMENT

Following the seven organized panels, **Senator Torlakson** invited the audience to come to the podium for public comments.

Ms. Fran Inman is the Senior Vice President of Majestic Realty and Vice Chair of the L.A. Chamber Transportation Committee. Ms. Inman advised that wise infrastructure investment is essential and that the private sector needs to participate. She encouraged bipartisan leadership and best practices be applied to a comprehensive system-wide strategy.

Mr. David Hall*, Director for the Port of Humboldt Bay, gave the following overview: "The Port of Humboldt Bay is the only deep water port along a 400-mile stretch of coast. The underutilized assets that the Port of Humboldt Bay has include a 38-foot deep shipping channel, nine docks all within one hour's sail of the Pacific Ocean, over a thousand acres of underutilized property zoned coastal dependent industrial property, pilots, stevedore, Longshore, customs, coast guard, Homeland Security personnel are all available and at the Port, foreign trade zone and enterprise zone incentives are available, and existing transportation links are in place."

Mr. Matt Vander Sluis, representing the Planning and Conservation League, observed that, the Federal Transportation Plan requires that environmental justice concerns be addressed, and that membership on the California Marine and Intermodal Transportation System Advisory

Council, CALMITSAC, did not include environmental or environmental justice groups. Mr. Sluis advised that with a broader spectrum people at the table it would lend increased credibility to the Council.

Mr. Ron Silva introduced the concept of short sea shipping. He stated that this approach could help address the congestion, pollution, and safety problems in the State of California.

Mr. Stuart Farnsworth, representing the Port of San Diego, echoed the comments of the Port of Humboldt Bay in encouraging the joint committee not to forget the other ports. He stated that there are other ports that provide congestion relief and real goods movement that will help this state economy continue to grow. In addition, Mr. Farnsworth reinforced the short sea shipping concept by stating that the Port of San Diego anticipates testing this concept this summer.

Mr. Ray Ortiz, with the International Longshoremen's and Warehouse Union, advised that, if communities were not included in the development of major port and goods movement issues, there would be a distinct possibility that communities could dictate how the maritime and goods movement industry would be run. He added that in order to meet the immense challenges of goods movement, the people of California need to be better informed and educated on the complex issues and solutions.

Ms. Mary McCormick, President and CEO of MBI Media and vice president of the Harbor Association of Industry and Commerce, suggested her association could be an efficient broker and facilitator to inform and educate the goods movement community.

Mr. John Cockle, President of the California Short Line Railroad Association, stated that the short line railroads could play a vital part of addressing the goods movement infrastructure challenges facing California.

Ms. Venieris, Executive Director for the Center for International Trade and Transportation at California State Long Beach and deputy director of the METRANS Transportation Center, informed the joint committee that the METRANS Transportation Center is a National University Transportation Center. She stated that the universities can play a vital role in this industry not only for education and work force development that is essential, but also as a neutral entity for all the stakeholders to come together. Ms. Venieris added:

...That the Center for International Trade and Transportation has been bringing key stakeholders together for over eight years. In addition, people have been meeting every month to address the issues, share information, bring about solutions, and as a result of

that, we have been able to put together research programs and outreach activities that had tremendous educational impact on the stakeholders of the industry.

Mr. Moss Bittner, representing the Humboldt Bay Rail Infrastructure Task Force, a citizens' group that works with the Humboldt Bay Harbor District and the North Coast Railroad Authority, stated that the railroad is operated by the State of California, but it's not funded by the State of California. Mr. Bittner indicated that this arrangement helps to prevent Humboldt Bay, as a deep water port, from being a useful part of our goods movement system. Mr. Bittner concluded with the following observation:

When we look at \$3 billion projects out of L.A., we've got to recognize that it's 46 percent of the freight coming in California that goes through those ports. What about the other 54 percent? And finally we have to be concerned about the redundancy in the system and the ability of the system to take shocks. That may be threats of terrorism or it may just be earthquakes, and frankly, we are in California, we have to be prepared for mudslides in Southern California that reduce capacity there. We have this other capacity that it's just a few million dollars away from being a useful part of our goods movement.

Testimony of:

**Gill V. Hicks, Chairman
California Marine and Intermodal Transportation System Advisory Council
(CALMITSAC)
President, Gill V. Hicks and Associates, Inc.**

Before:

**Assembly Transportation Committee
Senate Transportation and Housing Committee
Senate Transportation Subcommittee on California Ports and Goods Movement
Assembly Select Committee on Ports**

May 4, 2005

Good afternoon, Chairpersons Oropeza, Torlakson, Lowenthal, and Karnette and members of the committees. Thank you for your continued leadership on critical issues affecting the ports and the entire Marine Transportation System. CALMITSAC is committed to working cooperatively with you and other representatives of the public and private sectors to resolve the pressing problems facing our State. As shown in the attachment to my testimony, CALMITSAC has broad representation from government, industry, and academia. Also attached are a fact sheet on CALMITSAC, our roster of members, and our work program for 2005, which we have prepared in response to AB 2043 (Lowenthal).

This afternoon I will provide an overview of pressing goods movement issues in California. I will briefly address all of the following issues: the importance of California ports, congestion and infrastructure capacity; jobs and economic growth; port security; environmental protection; labor availability, productivity and equity; and funding.

Importance of California Ports

At the risk of sounding like Rodney Dangerfield, it appears that the ports in California are seldom praised, increasingly vilified, and almost always taken for granted. California ports are major economic powerhouses and are the gateways to the rest of America. As described in CALMITSAC's infrastructure needs report in 2003, waterborne commerce through California's ports accounts for 40% of the national total.¹ Three of the four largest container ports in the country are located in California (Los Angeles, Long Beach, and Oakland). The combined value of exports and imports at the Los Angeles, San Francisco and San Diego Customs Districts has been estimated at \$400 billion for 2004 and is projected to grow to nearly \$513 billion in 2006.² Nationwide, 2 million jobs are linked to the Ports of Los Angeles and Long Beach. These economic benefits are being

¹ CALMITSAC, California Marine Transportation System Infrastructure Needs, March 11, 2003

² LAEDC, 2005-2006 Economic Forecast & Industry Outlook for the Los Angeles Five-County Area, January 2005.

threatened, however, by valid concerns over congestion, air pollution, limited capacities of our ports, highways and railways, and inadequate funding levels. Only through an inclusive, collaborative process can we begin to resolve these problems. We cannot do everything for everyone, so I believe we need to focus on a limited number of potential success stories and be willing to support and fund them.

Congestion and Infrastructure Capacity

Growth in international trade continues to stress the rail and highway systems serving the ports. In 2004 the ports of Los Angeles and Long Beach handled a total of 13.1 million Twenty-foot Equivalent Units (TEUs) of containerized cargo. This is projected to more than triple by 2030 to almost 45 million TEUs. The Port of Oakland handled 2 million TEUs in 2004 and demand is projected to reach 6.5 to 7.0 million TEUs by 2020.

Rapidly increasing trade with China is fueling much of this growth. The U.S. trade deficit with China reached \$162 billion in 2004 – twice what it was in 2001. With 1.3 billion people China has an almost inexhaustible supply of low-cost labor. The average worker in China makes between 56 and 67 cents per hour. Wal-Mart bought \$18 billion in merchandise from China in 2004, and 70% of the products sold at Wal-Mart stores are made in China. Chinese products accounted for 53 percent of the loaded container imports through the Port of Long Beach in 2004.

Given the pressures on California's major ports to accommodate rapid growth, the smaller ports will no doubt play a larger role in the future. We need to encourage and support the smaller ports, whose service to the state is often overlooked. Unfortunately, these smaller ports are not equipped to handle significant volumes of containerized cargo, so even if they attract some traffic from Los Angeles, Long Beach and Oakland it is not likely to significantly lessen the highway and railway infrastructure requirements at the major ports.

Seattle, Tacoma, and Portland also face capacity problems as well as pressure from environmental groups to reduce air quality and congestion impacts in neighborhoods. Thus it is not likely that they will be able to absorb significant diversions of cargo from California's major ports.

In Mexico there are proposals to expand ports to attract some cargo that would normally flow through Los Angeles and Long Beach. One proposal at Punta Colonet, 80 miles south of Ensenada, calls for a new container port with a capacity of about 1,000,000 TEUs per year. That is less than one year's growth at Los Angeles and Long Beach, so even if the Mexican port is successful it cannot be expected to significantly reduce congestion in Los Angeles and Long Beach through 2030.

At Prince Rupert, British Columbia, 500 miles north of Vancouver, there are plans for a 160-acre terminal that could handle an estimated 2,000,000 TEUs per year. While this will add another west coast container portal, it is not expected to diminish infrastructure

requirements at California ports. The bottom line is that we cannot divert our way out of the congestion problems we face.

The Ports of Los Angeles and Long Beach and the Alameda Corridor Transportation Authority recently completed an analysis of the impact of various strategies to reduce truck traffic and increase rail traffic, including local shuttle trains, increased use of on-dock and near-dock rail yards, extended gate hours (PierPass), and a virtual container yard, which is an internet matching service for empty containers. The results of the study produced some good news and some bad news. The good news is that with all of these strategies in place, truck traffic on the Long Beach Freeway (I-710) will not triple along with cargo volumes by 2030. The bad news is that truck traffic will double. I am often asked if extended gate hours and more on-dock rail use will obviate the need for the widening of the Long Beach Freeway. The answer is no; we still have to provide the exclusive truck lanes and other improvements to the freeway to accommodate the projected traffic growth. This doesn't mean that we should abandon these truck traffic reduction strategies. They are critical in the fight against air pollution and congestion.

Communities near the ports are saying, however, that air quality must improve before any work is done to expand the freeway. The MTA Board has requested an emissions reduction plan be adopted before the EIR/EIS for the freeway can even begin.

Railroad infrastructure is also a growing concern. The Ports of Los Angeles and Long Beach have proposed \$1.5 billion in rail infrastructure improvements to support on-dock and near-dock rail. Railroad mainlines east of downtown Los Angeles need to be double or triple tracked to accommodate growth in freight and passenger trains, and the Colton rail-to-rail grade crossing needs to be separated. There are also many highway-rail grade separations that need to be funded and built. Communities along these mainlines are clearly losing their patience when it comes to delays at grade crossings. There is also a growing shortage in intermodal lift capacity – the ability to transfer cargo containers from trucks to trains and vice versa. If we do not resolve these highway and railroad problems there will be significant negative environmental and economic consequences for our state and the nation.

Jobs and Economic Growth

A recent study done for the Southern California Association of Governments (SCAG) by Dr. John Husing demonstrates that the logistics sector is a very important employer, particularly for blue-collar workers.³ This takes on greater importance when we consider that nearly 46 percent of Southern California's adult population has not attended any college classes. The average wage for logistics sector workers is \$45,000 per year. The average hourly rate in furniture warehousing is \$16.00 an hour.

³ John E. Husing, Ph.D., Logistics & Distribution: An Answer to Regional Upward Social Mobility, June 9, 2004.

I firmly believe that “Quality of life begins with a job”.⁴ The physical and emotional health effects of unemployment, underemployment and poverty are just as valid a concern as the health effects of air pollution. People who have limited or no access to health care, people who cannot put food on the table, or clothe their children or themselves have a very poor quality of life. As Dr. Husing has said, we have to be concerned about *economic* justice as well as *environmental* justice. Dr. Husing’s report speaks to this issue by asserting that the logistics sector can replace lost manufacturing jobs and offer upward mobility for our blue-collar workers. My main point is that there needs to be a balanced commitment to environmental quality and economic health. *We have to do both and we have to do both concurrently, not one before the other.*

Environmental Protection

Am I dismissing the important research on health effects of particulate matter and other forms of pollution? Not at all. These are serious issues that must be resolved. That is why the ports are committed to reducing their emissions. The ports need to be recognized for the significant progress they have already made in combating pollution. The Port of Oakland’s Clean Air Program includes several initiatives to reduce emissions, including a truck repowering program providing cash incentives to truckers for replacing engines with newer cleaner engines. The Port of Long Beach has adopted an aggressive and comprehensive Green Port Policy dedicated to reducing the harmful effects of port-related operations. The Port of Los Angeles has compiled a list of more than 60 measures to reduce emissions. Some of the measures are clearly within the port’s control; some are not. This is why it is essential for the California Air Resources Board, the U.S. Environmental Protection Agency, and the International Maritime Organization (IMO) to act on those measures that only they have authority to implement. These rules should provide an even playing field for all involved.

The State can also play an important role in promoting the adoption by the U.S. Senate of MARPOL Annex VI, the international treaty regulating emissions from ships. The IMO cannot adopt a Sulfur Emission Control Area (SECA) for the west coast or for North America until the U.S. adopts Annex VI. There is only one other SECA in the world and that is in the Baltic Sea. That SECA was adopted in response to concerns over acid rain in that region. Acid rain is a greater concern on the east coast of the U.S. than the west coast, but lowering the sulfur content of ship fuel has significant benefits in terms of PM and NOx emissions as well as SOx.

Another ongoing issue is land use. Railroad tracks are an industrial land use. It is always tempting to blame the railroads for impacts in residential areas. It amazes me to see cities continue to zone adjacent property as residential and even go to lengths to rezone industrial property next to railroad tracks as residential. The cities that do this are simply providing a steady stream of protesters to future public hearings on railroad noise and disruption. Everyone is familiar with the Not In My Backyard or “NIMBY” syndrome, but there is another insidious syndrome lurking out there that I call “MIFTO”, or Move

⁴ Pilar M. Hoyos, Watson Land Company, testimony to hearing of Business, Transportation and Housing Agency and California EPA, Los Angeles, March 24, 2005.

In, Force Them Out. This is when misguided residential zoning practices threaten the viability of previously established industrial activities.

Labor availability, productivity and equity

Speaking of economic justice and equity there is a great disparity between the earning power and benefits provided to dock workers and the truckers who serve the harbor. (Note: Dr. Husing's study included employees of logistics companies and excluded owner-operators.) Not only do we need to reduce emissions from trucks, we need to seriously address the looming shortage in truck drivers. Not only are they underpaid, we are now asking them to drive at night. The success of PierPass will depend on the willingness of truck drivers to work at night.

With respect to longshore labor, we all hope that the vessel and terminal congestion we faced in the Los Angeles and Long Beach harbors in 2004 can be avoided in 2005. Causes of the 2004 congestion included:

- The Pacific Maritime Association (PMA) underestimated volume growth and labor productivity.
- There was a 24% increase in container throughput from 2003 to 2004 at the Port of Long Beach (1% at the Port of Los Angeles).
- There were rail labor and equipment shortages causing a backup at the ports.
- There was a 64% increase in on-dock rail volume at the Port of Long Beach from 2003 to 2004 (1% at the Port of Los Angeles).
- Labor was allocated to terminal and rail operations before vessels.

Remedies to the vessel and terminal congestion include:

- The PMA and ILWU are adding labor, including 5,000 new casuals, and they have promoted 1,750 casuals to registered status.
- The PMA has improved their projections and monitoring of labor needs.
- The hoot shift vessel labor has been reinstated.
- Progress is being made in installing new technology to smooth traffic flow, such as Optical Character Recognition (OCR) and Radio Frequency Identification (RFID) at gates and on cranes.
- The Ports of Long Beach and Los Angeles are considering 1) reducing the amount of "free time" that containers can be stored in port terminals without incurring demurrage and storage charges, and 2) starting free time on the day that each container is unloaded and not on the day that the entire ship finishes discharging. These changes could even out the flow of cargo at terminals, reducing the bunching of trucks. This could be particularly important for managing the containers discharged from larger vessels.⁵
- PierPass will spread the volume of cargo over more hours and more days and will give cargo owners more time to retrieve their containers before free time expires.

⁵ Port of Los Angeles Board memo, Agenda item #2, April 27, 2005.

- Railroads are adding labor and equipment.

One of our goals is to reduce truck traffic by increasing the use of on-dock rail. We need to improve communication among railroads, terminals, shipping lines, and labor and make a commitment for improved productivity and efficiency. This has to be a team effort, to make sure that the on-dock capacity that we have is fully utilized in order to reduce truck traffic and reduce emissions. Implementing the ports truck reduction program includes a series of meetings between terminals and railroads to facilitate this communication and better planning.

Port Security

It is clear that we need a more rational way of allocating port security grants. California accounts for 40% of the waterborne commerce in the U.S, but in Round 4 California received only \$5,925,377 or less than 12% of the \$49,429,867 in port security grants distributed nationally.⁶

California also needs a prioritized list of infrastructure projects and port security projects. We also need to conduct contingency planning for recovering from a major incident. CALMITSAC's Port Security and Consequence Management Committee is working diligently on these important issues. The Committee Chair, Larry Mallon, has reached out to key homeland security agencies, including the State Office of Homeland Security, the U.S. Coast Guard, U.S. Customs and Border Protection, and others to solicit their support and participation.

Funding

Unfortunately, resolving all of the problems discussed above will take a significant amount of capital investment. There are only three basic categories of funding:

- 1) Existing grant and loan programs; i.e., STIP funds, federal transportation reauthorization including TIFIA, port security grants, etc.
- 2) New sources of revenue at the state or federal level, such as new general obligation bonds, a Customs "carve out", tax credit bonds, new fees or taxes;
- 3) Project-specific revenue bonds.

We need to continue to vigorously lobby for more federal support, but we all agree that the federal government will not be able to provide all the funds required to keep the goods flowing efficiently. A customs carve out, tax credit bonds, new general obligation bonds, and public-private partnerships should be seriously considered.

The only way to foster true public-private partnerships is to first demonstrate real value to the various stakeholders, and then negotiate shared funding responsibility. This is what we did with the Alameda Corridor in the 1990's. It has been said that shippers will "pay

⁶ <https://www.portsecuritygrants.dottsa.net/TSAdotnet/default.aspx>

for value” measured in terms of reduced delay, or increased velocity or reliability. SCAG is preparing a matrix of values that can be used to evaluate benefits of key high-priority projects to both the public and private sectors.

My preference would be to develop specific plans of finance around a limited set of high-priority projects; i.e., future success stories, that all stakeholders agree are absolutely essential, as opposed to mandating user fees through legislation. The industry has repeatedly said, “There is no trust in trust funds”. Some funds have been raided; some have been over-collected and under-spent. Project-specific revenue streams for focused, well-managed projects can be protected for the benefit of bondholders and users alike.

Conclusions

Time for action is now. As suggested by the Secretary of the California Business, Transportation and Housing Agency we have to address the three E’s: ***economy, environment, and equity***. We can’t do everything for everyone, but we need a series of success stories and be willing to fund them. Collaboration is essential, which means we have to stop the turf battles through a commitment to work together. Coalition building and successful fund raising depends on coordination, collaboration, consensus and compromise. CALMITSAC is taking this spirit of collaboration into the development of a strategic plan for California’s Marine Transportation System. I look forward to working with you in this important endeavor.

Thank you very much.



California Marine and Intermodal Transportation System Advisory Council (CALMITSAC)

Mission Statement:

To foster development of a Marine Transportation System in California that is safe, secure, efficient, environmentally sound, and capable of expanding to meet the demands of the global economy.

Membership:

- U.S. Maritime Administration
- U.S. Coast Guard
- California State Assembly Select Committee on Ports
- California Senate Office of Research
- Caltrans
- California Business, Transportation and Housing Agency
- California State Lands Commission
- Center for International Trade and Transportation
- California Manufacturers and Technology Association
- California Chamber of Commerce
- Infrastructure Delivery Council
- Consulting Engineers and Land Surveyors of California
- Ocean Carriers Equipment Management Association
- California Maritime Academy
- California Association of Port Authorities
- Pacific Merchant Shipping Association
- Pacific Maritime Association
- California Maritime Infrastructure Authority
- Marine Exchange of Southern California
- Marine Exchange San Francisco Bay Region
- California Marine Affairs and Navigation Conference
- International Longshore and Warehouse Union
- The Waterfront Coalition
- National Industrial Transportation League
- The Burlington Northern and Santa Fe Railway Co.
- Pacific Coast Council
- Marine Transportation System National Advisory Council (MTSNAC)

- Southern California Marine Transportation System Advisory Council (SOCAL-MTSAC)
- Northern California Marine Transportation System Advisory Council (NORCAL-MTSAC)

Officers:

Chair: Gill V. Hicks, Gill V. Hicks and Associates, Inc.

Co-Vice Chair: Marianne Venieris, Center for International Trade and Transportation

Co-Vice Chair: Bob Gore, Infrastructure Delivery Council

Chair, Infrastructure and Competitiveness Committee: John Amos, NITLeague

Chair, Environmental Committee: Gary Gregory: California State Lands Commission

Chair, Port Security and Consequence Management Committee: Larry Mallon, Center for International Trade and Transportation

Chair, Policy and Funding Committee: Jeff Brown, Senate Office of Research

Executive Committee: Gill Hicks, Marianne Venieris, Bob Gore, John Amos, Gary

Gregory, Larry Mallon, Jeff Brown, Norman-Fassler-Katz, Tim Schott

Staff Consultant: Norman Fassler-Katz

2005 Work Program per AB 2043:

Assembly Member Alan Lowenthal (now Senator) introduced AB 2043 on February 17, 2004. Governor Schwarzenegger approved the bill on September 29, 2004. The bill requests CALMITSAC to meet and hold public hearings and to assemble information on:

- Projected growth and congestion of ports.
- Impacts of port growth on the state's transportation system.
- The costs and benefits of a coordinated state program to obtain federal funding for maritime port growth, security, and congestion relief.
- Air pollution caused by the ports, and proposed mitigations.
- Port security.
- Statewide plan for continuing operation of ports after a major incident or disruption of port operations.
- State marine transportation policy, legislation, and planning; funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the MTS.

CALMITSAC shall also:

- Identify all state agencies that are involved with the development, planning, or coordination of maritime ports in the state.
- Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.
- Submit its findings in a report to the Legislature not later than January 1, 2006, including recommendations on methods to better manage the growth of ports and address the environmental impacts of moving goods through those ports.



Roster as of May 4, 2005
CALIFORNIA MARINE AND INTERMODAL
TRANSPORTATION SYSTEM ADVISORY COUNCIL

Gill Hicks, Chairperson	Gill V. Hicks and Associates, Inc.
Captain M.H.K. Aschemeyer	Marine Exchange of Southern California
John Amos	National Industrial Transportation League
Don Breazeale	The Waterfront Coalition
Jeff Brown	California State Senate Office of Research
Robert Calix	So. Cal. Marine Transportation System Advisory Council
Dominic DiMare	California Chamber of Commerce
William Eisenhardt, Ph.D.	California Maritime Academy
Norman Fassler-Katz	Sen. Lowenthal's Maritime and Goods Movement Consultant
Peter Ford	No. Cal Marine Transportation System Advisory Council
Brian Foss	California Maritime Infrastructure Authority
Bob Gore	Infrastructure Delivery Council
Roberta Goulart	California Marine Affairs and Navigation Conference
Gary Gregory	California State Lands Commission
Captain Lynn Korwatch	Marine Exchange of San Francisco Bay Region
Lawrence Mallon	So. Cal. Marine Transportation System Advisory Council
John McLaurin	Pacific Merchant Shipping Association
James McKenna	Pacific Maritime Association
William Morrison	California State Lands Commission
Richard Nordahl	California Department of Transportation
Ray Ortiz	International Longshore and Warehouse Union
Dorothy Rothrock	California Manufacturers and Technology Association
Tim Schott	California Association of Port Authorities
Vacant	California Business, Transportation and Housing Agency
Marianne Venieris	Center for International Trade and Transportation
Bill Lyte	Consulting Engineers and Land Surveyors of California
James FitzGerald	Burlington Northern and Santa Fe Railway Company
Robin Grove	Pacific Coast Council
Scott Smith	Ocean Carriers Equipment Management Association (OCEMA)

CALMITSAC DRAFT WORK PROGRAM 2005

Assembly Member Alan Lowenthal (now Senator) introduced AB 2043 (attached) on February 17, 2004. Governor Schwarzenegger approved the bill on September 29, 2004. The bill requests CALMITSAC to meet and hold public hearings and to assemble information on:

- Projected growth and congestion of ports.
- Impacts of port growth on the state's transportation system.
- The costs and benefits of a coordinated state program to obtain federal funding for maritime port growth, security, and congestion relief.
- Air pollution caused by the ports, and proposed mitigations.
- Port security.
- Statewide plan for continuing operation of ports after a major incident or disruption of port operations.
- State marine transportation policy, legislation, and planning; funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the MTS.

CALMITSAC shall also:

- Identify all state agencies that are involved with the development, planning, or coordination of maritime ports in the state.
- Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.
- Submit its findings in a report to the Legislature not later than January 1, 2006, including recommendations on methods to better manage the growth of ports and address the environmental impacts of moving goods through those ports.

To respond to this directive, it is recommended that CALMITSAC develop and assign tasks to the following committees:

- Infrastructure and Competitiveness
- Environmental
- Port Security and Consequence Management
- Policy and Funding

It is recommended that the work be organized according to the following matrix of responsibilities, with lead role denoted as "L" and support role denoted as "S". It is recommended that the outline for the final report be prepared as soon as possible, so that it can be a guide for the detailed work program.

Task	Committee (L=Lead; S=Support)			
	Infrastructure & Competitiveness	Environmental	Port Security & Consequence Management	Policy and Funding
1) Raise funds for Work Program; Develop budget and expenditure plan; Develop RFQ for consultant assistance.	S	S	S	L
2) Obtain data on projected growth and congestion of ports.	L	S		
3) Estimate impacts of port growth on the state's transportation system <i>and reassess infrastructure needs.</i>	L	S		
4) Develop coordinated state program to obtain federal and private funding for maritime port growth, security, and congestion relief.	S	S	S	L
5) Estimate air pollution caused by the ports, and evaluate proposed mitigations.	S	L		
6) Evaluate port security programs.	S	S	L	
7) Develop statewide plan for continuing operation of ports after a major incident or disruption of port operations.	S	S	L	
8) Identify all state agencies that are involved with the development, planning, coordination, <i>or regulation</i> of maritime ports in the state.	S	L	S	S
9) Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.	S	L	S	
10) Develop recommendations on state marine transportation policy, legislation, and planning; funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the MTS.	S	S	S	L
11) Prepare Outline of Report to Legislature.	S	S	S	L
12) Prepare Draft and Final Reports	S	S	S	L

More detailed task descriptions are described below:

1) Raise funds for Work Program; Develop budget and expenditure plan; Develop RFQ for consultant assistance.

AB 2043 provided no funding to complete the required tasks. It is therefore up to CALMITSAC to raise the necessary funds. Potential contributors include various government agencies, ports, shippers, shipping lines, and terminal operators. It is recognized that in order to raise funds it will be essential to develop a budget and expenditure plan, a detailed work program with specific tasks, responsibilities and deliverables, with an estimate of costs and schedule. Potential contributors will obviously want to know where their money is going and what the products will be. It will also be critical to identify what tasks will be considered “in kind” services and what tasks will require consulting assistance.

CALMITSAC is not planning to conduct new original research or primary data collection, nor are we intending to fund new models of port growth or environmental impact. Rather we will have to rely on previous studies and existing ongoing efforts. For example, the Ports of Los Angeles and Long Beach and the Alameda Corridor Transportation Authority (ACTA) have recently prepared estimates of truck traffic through 2030 based on certain assumptions about port growth and the potential success of extended gates, shuttle trains, etc. There are also new studies being conducted in the regions by Metropolitan Planning Organizations (MPOs) and other agencies. Even though the data and reports may be considered in-kind services by those agencies, the Committee may want to consider hiring a consultant to compile all the existing information in one place and to identify key gaps in information and to recommend areas of additional research. The consultant may also be asked to write key chapters of the final report. If it is agreed that consultant assistance is needed, the Committee will need to develop a Request for Qualifications (RFQ) and interview qualified consultants.

2) Obtain data on projected growth and congestion of ports.

It is likely that all ports in California have done some research on port growth. It is recommended that the Infrastructure and Competitiveness Committee reach out to every port in California, through the California Association of Port Authorities (CAPA) to obtain data and forecasts on containerized and other cargo for 2004, 2010, and 2030. The various ports no doubt use somewhat different methodologies for predicting future growth, but it seems beyond the scope of this effort to commission a whole new cargo forecasting and market share study for the ports of California. The ports could provide this data, through CAPA, as an in-kind service.

The Marine Exchange of Southern California has collected detailed information on the port congestion that occurred during the fall of 2004. It is unknown whether comparable data exists for other ports. A key challenge will be to predict future congestion and to develop recommendations for avoiding another major crisis.

CALMITSAC should participate in upcoming goods movement roundtable meetings organized by SCAG. At these meetings participants will discuss strategies for overcoming congestion, develop metrics for evaluating costs and benefits of alternative projects, and evaluate alternative funding options for infrastructure projects.

3) Estimate impacts of port growth on the state's transportation system *and reassess infrastructure needs.*

All ports and possibly the Metropolitan Planning Organizations (MPOs) have also likely evaluated the impacts of their growth on landside rail and highway systems, either through various environmental impact reports or special studies. This would include data on freeway congestion, rail system delays, and grade crossing delays. It is recommended that each port and/or MPO contribute the results of these studies as an in-kind service to CALMITSAC. Inevitably, there will be some gaps in the data and the units of measure may be different from area to area. The Committee will need to assemble and present the data in order to prepare a statewide picture of port growth and congestion impacts. Target years should be 2004, 2010, and 2030. Although not specifically called for in AB 2043, it would be desirable for CALMITSAC to update the infrastructure plan completed in 2003, but this time focusing on priority projects that are deemed essential to maintaining economic growth and protecting the environment.

4) Evaluate costs and benefits of a coordinated state program to obtain federal and private funding for maritime port growth, security, and congestion relief.

Rather than debate the costs and benefits of developing a coordinated statewide fund raising program, CALMITSAC accepts the notion that coordination and collaboration in fund raising is a good thing and moves forward on developing a coalition of MTS interest groups throughout the state. Therefore, the Policy and Funding Committee ought to assemble a detailed database on MTS stakeholders (names, addresses, etc) and begin to formulate strategies for raising federal funds for port security and infrastructure. This should include recommendations for outreach and education of members of Congress and U.S. DOT officials.

It must be recognized that even with a successful outreach effort, the federal government will not be able to fund all of the necessary security and infrastructure projects. A feasible funding plan must include state and local and private sources. Public-private partnerships will be essential. It will be important for the Policy and Funding Committee to work closely with other regional efforts to develop specific funding recommendations for the MTS.

5) Estimate air pollution caused by the ports, and evaluate proposed environmental protections.

Air pollution and the resulting health impacts are the most significant potential obstacles to port growth in the state. It is therefore critical that CALMITSAC pay a great deal of

attention to this topic. It will be critical to expand its dialogue with Cal-EPA, CARB, AQMDs, and the U.S. EPA on air quality issues. It is recognized that the ports have no direct control over the emission rates of ocean going vessels. The International Maritime Organization (IMO) has adopted MARPOL Annex VI, which regulates emissions from ships. But the U.S. has yet to ratify this treaty. CALMITSAC should work with the U.S. EPA to make a case for MARPOL Annex VI and the establishment of a Sulfur Emission Control Area (SECA). A SECA would have to be approved by the IMO for the U.S. west coast or for the U.S. as a whole. Without a SECA, it will be very difficult for port areas to significantly control emissions.

The Environmental Committee will need to assemble information from each port on its estimated air pollution impacts and on the mitigations that have been proposed. The ports have adopted important strategies for cleaning up the air, and the Committee should document all of these efforts as well as outline the limitations of the ports' authority to regulate these matters. The key concern is that these emissions reduction efforts, although significant, may not keep pace with future growth of the ports, resulting in a net increase in emissions. Slow growth or even no growth could have a devastating impact on the economy, so it is critical that government and industry develop a balanced program of economic growth and environmental protection. CALMITSAC's philosophy should be that the state can and should have both, not one or the other.

6) Evaluate port security programs.

The Port Security and Consequence Management Committee should attempt to document the key steps already taken by the ports, U.S. Customs and the U.S. Department of Homeland Security to secure our ports, including documentation of previous port security grants to California ports. These should be compared to estimates of funding needs.

7) Develop statewide plan for continuing operation of ports after a major incident or disruption of port operations.

The ports should conduct contingency planning for a major terrorist incident. The port congestion that we experienced this past fall was a preview to what might happen but of course at a much smaller scale. The Port Security and Consequence Management Committee will have to meet to discuss how this work element should proceed and should closely coordinate this work element with the U.S. Coast Guard and the State Office of Homeland Security. The need for confidentiality will be also be very important.

8) Identify all state agencies that are involved with the development, planning, coordination, or regulation of maritime ports in the state.

In order to complete this task, the Environmental Committee will need to evaluate the structure of state government and determine which agencies have a role in MTS development, planning, coordination or regulation. The Committee should also look at the recommendations of the California Performance Review and how those recommendations would affect MTS related agencies.

9) Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.

In order to complete this item, the Environmental Committee would have to conduct a national survey of other states to determine which ones have a statewide port master plan. A few states, such as Florida, have statewide port coordinating councils to determine priorities within the state and to promote federal funding for their projects. The Committee should review the structure of these councils and assess whether a similar approach would be valuable to California.

10) Develop recommendations on state marine transportation policy, legislation, and planning; funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the MTS.

Drawing on the results of previous tasks, the Policy and Funding Committee would prepare recommendations on statewide MTS policy.

11) Prepare Outline of Report to Legislature.

The report outline would be a “living document” and would function as a “roadmap” for the work of all committees. We should prepare the outline at the beginning of the process and frequently update it as new information becomes available. This will expedite the completion of the final report, and will provide a management tool for assessing progress during the year.

12) Prepare Draft and Final Reports.

This report would assemble all of the information assembled by the committees for all of the tasks listed above. The report would include an Executive Summary outlining key policy recommendations.

AB 2043 (Full text)

AB 2043, Lowenthal. Maritime Port Strategic Master Plan Task Force.

Existing law provides for the regulation of ports and harbors. This bill would require the California Marine and Intermodal Transportation System Advisory Council, as defined, to meet on an unspecified basis, hold public hearings, and compile data on certain issues relating to the growth and congestion of maritime ports. The bill would request the council to compile specified information and submit its findings in a report to the Legislature not later than January 1, 2006, including recommendations on methods to better manage the growth of maritime ports and address the environmental impacts of moving goods through those ports.

The bill would prohibit the activities of the council pursuant to these provisions from being funded with appropriations from the General Fund.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1760 is added to the Harbors and Navigation Code, to read:

1760. (a) For purposes of this section, "council" means the California Marine and Intermodal Transportation System Advisory Council, a regional subunit of the Marine Transportation System National Advisory Council chartered by the federal Secretary of Transportation under the Federal Advisory Council Act (P.L. 92-463).

(b) The council is requested to do all of the following:

(1) Meet, hold public hearings, and compile data on issues that include, but need not be limited to, all of the following:

(A) The projected growth of each maritime port in the state.

(B) The costs and benefits of developing a coordinated state program to obtain federal funding for maritime port growth, security, and congestion relief.

(C) Impacts of maritime port growth on the state's transportation system.

(D) Air pollution caused by movement of goods through the state's maritime ports, and proposed methods of mitigating or alleviating that pollution.

(E) Maritime port security, including, but not limited to, training, readiness, certification of port personnel, exercise planning and conduct, and critical marine transportation system infrastructure protection.

(F) A statewide plan for continuing operation of maritime ports in cooperation with the United States Coast Guard, the federal Department of Homeland Security, the Office of Emergency Services, the state Office of Homeland Security, and the California National Guard, consistent with the state's emergency management system and the national emergency management system, in the event of a major incident or disruption of port operations in one or more of the state's maritime ports.

(G) State marine transportation policy, legislation, and planning; regional infrastructure project funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the marine transportation system of the United States within, or affecting, the state.

(2) Identify all state agencies that are involved with the development, planning, or coordination of maritime ports in the state.

(3) Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.

(4) Compile all information obtained pursuant to paragraphs (1) to (3), inclusive, and submit its findings in a report to the Legislature not later than January 1, 2006. The report should include, but need not be limited to, recommendations on methods to better manage the growth of maritime ports and address the environmental impacts of moving goods through those ports.

(c) The activities of the council pursuant to this section shall not be funded with appropriations from the General Fund.

California Maritime Days

Goods Movement Strategies

Shippers Perspective

Significant Problems/Challenges

- Inconsistency in moving product
- Increased costs to move product
- No clear direction or vision for the future
- Lack of infrastructure to meet growing demand

Emerging Trends

- Shifts in global sourcing
- Diversification of Ports by shippers
 - Delays in product movement
 - Escalating costs
 - Legislative actions
- Increase in vessel size increasing congestion
- More transload business closer to ports

What are We Doing to Help?

- Railroad Infrastructure
- Ports/Terminals Fees
- Gasoline Taxes
- Ocean Freight

What are We Doing to Help?

- Pier Pass
 - Collaborative, industry led process
 - Fee based with definable benefits
 - Paradigm shift in freight movement

" We didn't get into this problem overnight and won't get out of it overnight."

- Reducing free time at the ports
- Industry education/advocacy

Recommendations

- Engage shippers in solving the issues
- Policy development should be a collaborative effort
- Enlist support from Federal Government, specifically MTSNAC and MARAD

Recommendations

- Develop a “Blue Ribbon” panel
 - Objective: Develop a comprehensive Transportation Policy
 - Involve all stakeholders
 - Driven by Secretary Mineta in collaboration with Governor and legislative leaders
 - Engage shippers to promote policy

Recommendations

- Develop a narrow list of projects that have far reaching impacts for goods movement:
 - I-710 expansion (10 lanes)
 - Add third set of rail tracks to Cajon Pass
 - Colton Rail Separation
 - Replace Gerald Desmond Bridge
 - State Route 47 expressway
 - Bay Area bridge replacement
 - Support for near dock facility for BNSF
 - Incentive program to get older trucks off road

Thank You

**Testimony of the
Honorable John Jamian, Acting Maritime Administrator,
U.S. Maritime Administration
before the
California Senate Transportation Committee, Senate Transportation Subcommittee
on California Ports and Goods Movement, and Assembly Select Committee on
California Ports**

Good afternoon ladies and gentlemen of the Committee. I am John Jamian, Acting U.S. Maritime Administrator -- I am pleased to be with you today to discuss the vital issue of goods movement and our nation's marine transportation system -- our MTS. And, I bring you greetings from President Bush and Secretary of Transportation Norman Mineta.

The President appointed me MARAD's Deputy Administrator in May 2003. Prior to coming to Washington I served as a Michigan legislator and as the Executive Director of the Detroit/Wayne County Port Authority. So, I have more than a passing familiarity and appreciation for your work here in Sacramento.

I also want to applaud Senator Lowenthal for his foresight and leadership in holding these hearings -- the resources that the State of California has dedicated to the issues of freight movement and port development are indeed impressive. The Senator and his staff, especially Norman Fassler-Katz, have proven to be incredible resources to the U.S. Department of Transportation in our attempts to improve the performance of the nation's MTS.

Today I want to discuss several initiatives that directly relate to the work you are doing here and to the issue of goods movement and port congestion that are so vital to your state's and the nation's economic well-being.

First, I would like to update you on the surface transportation reauthorization legislation currently moving through the U.S. Congress. In addition to calling for a record \$284 billion Federal commitment to the country's surface transportation system over six years, the Administration's proposal -- called the Safe Accountable Flexible and Efficient Transportation Equity Act of 2003, or SAFETEA - contains several key elements designed to specifically address our economy's critical freight and shipping sector. It includes dedicated funding for intermodal connectors -- that vital "last mile" connecting our nation's highways to ports and other intermodal facilities; new financing tools that will help attract significant amounts of private sector capital, equity and innovation to transportation infrastructure, as well as better leverage existing public resources; and, the establishment of a freight coordinator in each of the 50 states to increase emphasis on freight and goods movement in regional and local planning.

As you well know, a growing number of American businesses are now integrating transportation into their just-in-time manufacturing and inventory processes in ways we have never seen before. These businesses are increasingly dependent on the performance

of underlying public and private infrastructure to remain successful. Our intermodal freight system is now a critical element of overall U.S. economic health. That is why enactment of SAFETEA's freight gateway package by Congress is so important. The Administration recognized that fact over three years ago when we started putting our SAFETEA proposal together, and we will be working hard to ensure that as many of our freight-related innovations as possible are incorporated in the legislation that Congress finally adopts – hopefully very soon.

Of particular importance to this Committee, of course, is what we do beyond the surface reauthorization bill to tackle the longer term need for infrastructure improvement – an issue that becomes more pressing every day. This challenge is all about how we integrate our transportation system and where and when to apply our resources.

Far from waiting for Congress to act on our SAFETEA proposals, over the last two years DOT has been assessing what other things we can do in the interim, and putting those ideas into effect. We are calling this our Freight Action Agenda -- a plan to help guide our partners and stakeholders in near-term efforts to improve goods movement throughout the nation's transportation system. Our Agenda includes initiatives to improve DOT's project finance expertise, develop better freight data and analytical tools, improve intermodal research and technology, educate the next generation of freight professionals, and advance complicated multi-modal freight projects that have broad economic impact.

I should note that this decision to focus on a small set of nationally significant projects is not without some risk, because providing special attention to one project or location can sometimes lead to criticism. It does, however, have its advantages for California. The Department has established what we call a "Gateway Team" to address network improvements at the Ports of Los Angeles and Long Beach. I do not have to tell anyone on this Committee about the importance of these two super ports, which accommodate over 40 per cent of the nation's container shipments – an immense contribution to our economy. Their contribution is only expected to grow in the future as volumes increase at a projected rate of 10 per cent a year.

To accommodate this type of rapid growth, the Department of Transportation has established a Southern California Gateway Office to help address port growth at the Los Angeles and Long Beach complex. This new office is there to help port users, workers, and other transportation stakeholders at these facilities work together to develop strategies for handling the anticipated growth in cargo. While this office is focused on the Los Angeles / Long Beach region, we view this as an important effort to address our growing freight mobility issues nationwide.

The Gateway Office is staffed by an on-site federal ombudsman who reports directly to the Office of the Secretary of Transportation and the Maritime Administrator and serves as a conduit to the Southern California port community. Therefore, once a regional consensus is formed around specific projects, the Los Angeles and Long Beach office can

greatly facilitate the timely development and completion of those projects -- we do need a consensus, however, on regional priorities.

I am here in Sacramento this week not only to address this Committee, but to meet with Secretary Mineta's Marine Transportation System National Advisory Council. The Council was formed to heighten national awareness and facilitate development of a coordinated public-private approach to the nation's marine transportation system. Since its inception, the Council has worked with industry stakeholders, including the regional MTS Advisory Council here in California, to fully develop the role our coastal and inland waterways can play in addressing our nation's highway, rail, and port congestion.

This work has culminated in the development of a "SEA-21" proposal to address the needs of the nation's maritime interests. The Council's proposal is one of the most aggressive, far reaching, and coordinated efforts to upgrade our national transportation system in over 50 years. Secretary Mineta has been very supportive of the Council's efforts, and we are working with other relevant parts in the Administration to help bring as many of these creative ideas to life as possible. Improving the health and performance of the MTS is one of the Secretary's top priorities this year and we will certainly keep you posted regarding our progress, and our on-going work with other Federal agencies.

Let me leave you with one last thought, that of the challenges we face in ensuring that our intermodal transportation system is as seamless and efficient as possible. Unfortunately, because federal transportation programs have long been compartmentalized into modal stovepipes, it is difficult to ensure that investments in our transportation network are made in a coherent manner. Secretary Mineta has focused enormous time and effort throughout his career on addressing this problem, and our work in the freight area and in putting together a SEA-21 initiative are good examples of that.

To be sure, railroads, motor carriers, and the maritime industry are all competitive businesses seeking system upgrades and expanded capacity to contribute to their own competitive advantage. Moving forward, however, we simply cannot sustain the type of growth that we expect in the early years of the 21st Century without a readjustment of our approach to transportation. We must commit ourselves to a cooperative effort that breaks down these stovepipes in an effort to achieve a common good. I truly believe that the initiatives and proposals I have described today begin that readjustment process, and we look forward to working with all of you along the way.

Thank you for your invitation to be here this afternoon. I would be more than happy to answer any questions that you might have.

**Goods Movement Testimony for the State Legislature
May 4, 2005**

Richard D. Steinke, Executive Director, Port of Long Beach

Thank the members of this joint committee for allowing me to share my thoughts on goods movement, its challenges for the state, and our recommendations for the future. Some quick facts:

Challenges:

- Forty-two percent of all containers imported come through the San Pedro Ports.
- California ports (LA/LB & Oakland) are three of the four busiest ports in the United States.
- As consumers yearn for low costs and quality goods, China has become the factory for the world and California's ports have, for all intents and purposes, become America's ports. We have become the heart of the goods movement system that pumps the commerce through the rest of the nation.

Our biggest challenge is managing the growth that is fueled by consumers' voracious appetite for foreign goods. We are simply turnstiles for imports and exports.

The Ports of LA/LB have always looked forward in anticipating port growth. Projects like the Intermodal Container Transfer Facility in the mid-1980's and its use of on-dock rail that was pioneered in Long Beach, and the Alameda Corridor are great examples of anticipating and setting the example for goods movement efficiency.

With 17 million consumers in the Southern California area, diversion of large amounts of cargo away from the ports to other

seaports only results in large portions of that cargo coming back to serve the local population. Congestion on our local freeways is another significant challenge. So, the ports, along with the Alameda Corridor and the other industry stakeholders, have set in motion a number of initiatives to specifically reduce truck trips on the I-710 and other local freeways as part of our “Truck Trip Reduction Program.”

Pier Pass – MTO-led initiative that incentivizes truckers and shippers to pick up cargo in the evenings and weekends to spread truck trips throughout the day vs. the current “normal” 8:00 to 5:00 business hours.

Shuttle Trains – Alameda Corridor Transportation Authority-led initiatives to move more local cargo by rail to the inland empire.

Virtual Container Yard – Port of Long Beach-led initiative to meter empty containers between importers and exporters, eliminating the empty containers from coming back down to the marine terminal for dispatching to the new customer. This eliminates the need for the terminal to be the control point.

Better Technology in the Terminals – Implementation of newer and more advanced technology, like Radio Frequency Identification (RFID) and Optical Character Readers (OCR) in marine terminals, will increase velocity and move more cargo faster and more efficiently.

New BNSF ICTF – Port of Los Angeles-led initiative to remove one million truck trips where containers are currently drayed to Downtown Los Angeles for loading at BN’s Hobart Yard. A new near-port rail yard will put containers on rail closer and effectively reduce congestion on local freeways.

These are but a few of the things being done to manage growth and relieve congestion. Though there are many innovative plans and programs in the pipeline, we will ultimately need to improve the I-710 Freeway if we really hope to ease the traffic impacts on our residents.

Another challenge that the Ports are committed to is making sure that this inevitable growth is mitigated through environmental stewardship.

Both Ports in the San Pedro Bay are committed to cleaning the air through their new programs. Though the Ports' air quality programs names may be different, the commitment is the same. At the Port of Long Beach, the guiding principles of the Green Port Policy are:

- Protect the local community and environment from harmful port impacts.
- Employ the best available technology to minimize port impacts and explore advanced technology solutions.
- Promote sustainability in terminal design, development, and operations.
- Distinguish the Port as a leader in environmental stewardship and regulatory compliance.
- Engage and educate the community about port development and environmental programs.

It means a new way of doing business – a new ethic that will guide what we do and how we do it. Things like the ICTF and the Alameda Corridor have had tremendous air quality benefits and our new programs will focus on air quality programs focusing on ships, trains, and terminal yard equipment.

State's Role:

I applaud the committees for their acknowledgment and interest in the issue. The Port of Long Beach alone is responsible for:

- Over 316,000 jobs in the Southern California Region.
- Five billion dollars in local, state, and general federal taxes.
- Fifteen billion dollars in annual trade-related wages.

International trade is a huge economic success for the state that can only be sustained if we improve the system and invest in the future through improvements in road and rail infrastructure programs. California is a donor-state when it comes to revenues in to the general treasury of the Federal Government vs. what it gets back.

I strongly encourage that we compel our California delegation in Washington D.C. to advocate legislation that pledges the pro rata portion of incremental increase in Customs revenues back to the California goods movement system. These funds need not be restricted to the Ports alone, but may be allocated to those vital goods movement linkages that make this prosperity possible for the region, state, and nation.

Five billion dollars of Customs fees are generated each year from waterborne commerce through our ports. As America's ports, we need to have our fair share coming back to support our significant contribution to the nation's economics well being.

The Federal Government must look at the nation's ports in the broader context of a comprehensive maritime transportation and goods movement system, and commit federal money to those intermodal systems that are essential to the economic well being of the nation. There can be no mistake that California's ports are

nationally significant resources that need federal support to insure that America's commerce moves reliably and efficiently, both intra-state and inter-state.

Legislative Hearing:
“Goods Movement Meltdown – What Should be the State’s Strategy?”
May 4, 2003 Sacramento, California

Written Testimony for Jerry Bridges
Executive Director, Port of Oakland

Panel Topic: “How We Maintain Our Competitive Edge”

Members of the Committee, thank you for providing me the opportunity to share with you the great need that our state has for directing attention and financial resources to the goods movement sector.

Goods Movement in California accounts for one in seven jobs in our state, creates \$200 billion in economic impacts annually and directly contributes \$16 billion in taxes to state and local government. California’s ports alone generate 838,000 jobs.

Pacific Basin trade is the strongest and fastest growing trade market in the world. California’s ports handle 42% of our nation’s international waterborne commerce and just under 82% of U.S. West Coast container volume. We have three of the four largest container ports in the country: Los Angeles (#1), Long Beach (#2) and Oakland (#4). We are projecting growth from almost 18 million TEU this year to 42 million TEU by 2020.

But such healthy growth in economic activity comes with a price. Statewide, our container volume is growing five times faster than the capacity of our transportation infrastructure needed to carry this volume. An example is last fall’s meltdown of the goods movement flow through the Southern California ports. Without the state taking the lead in providing California’s ports and their transportation access infrastructure with the means to sustain this growth without generating disproportionate externalities (traffic congestion, air pollution and community issues such as truck parking on residential streets), maritime carriers and shippers will seek other, out-of-state solutions, included as Attachment 1 to this testimony.

Aside from worsening congestion resulting from goods movement growth, three other challenges face the Port of Oakland as a major goods movement center.

- Effectively moving containers between the Port and inland markets and distribution facilities over an aged and inadequate transportation infrastructure.
- Getting the major railroads; UPRR and BNSF to commit to be full partners in moving goods to and from the Port and to seek solutions to our goods movement constraints.
- Obtaining both recognition from the state that the Port of Oakland can be part of the California Solution to our increasing goods movement congestion problem and having the state commit resources to resolving its goods movement congestion problems in a manner which brings the greatest benefit to California’s residents.

The ports of California, for their part, are attempting to work directly with the railroads to help them meet their needs in terms of developing intermodal facility and line haul capacity. The ports have identified a number of capacity-enhancing capital projects that will enable them to meet projected demand. At present, over \$42 billion in capital projects have been planned or are underway. The Port of Oakland is working with a number of Central Valley interests to develop an inland rail shuttle that can divert over 78,000 annual truck trips to rail, reducing truck vehicle

miles traveled by over 12 million per year and removing 91,000 lb. of diesel emissions from the Central Valley and Bay Area air annually.

Following are the Port of Oakland's suggestions for what the state can do to promote more effective and cost-efficient goods movement.

1. **Urge the California congressional delegation to support the Port's full request for federal dredging funds for the Oakland fifty-foot project.** This is critical to keeping the Port of Oakland competitive as a first-tier container port and as the state's key relief point for the congestion problems at the Southern California ports. It is critical for California's logistics chain to make Oakland a first port of call for ocean carriers (Los Angeles and Long Beach already are). Oakland cannot become one without the dredging. Additionally, engage the Governor's Office to lobby the Bush Administration to support this full-funding request.
2. **Task BTH to develop an interlinked statewide goods movement program** designed to take full advantage of the existing goods movement infrastructure (ports, airports, highways, rail systems, waterways), with improvements specified for key links. A list of such projects, the Port of Oakland's intermodal rail and highway/roadway priority projects are appended as Attachment 2.
3. **Commit to fund this statewide goods movement program in timely fashion.** Timely fashion does not mean in another five years when the State Transportation Improvement Program anticipates being able to re-commence the funding of new projects; it means now. Making such a commitment will depend, in part, on new funding sources, such as the Perata Bond Measure (SB 1024), so I urge your support for this bill.
4. **Ask the leadership of the Legislature to collaborate with the Governor to meet with the railroads to convince them of the need to increase their container handling capacity serving the state's ports,** both at intermodal facilities and on their main lines throughout the state, in order to maintain California's high levels of international commerce, generation of desperately-needed revenue to the state and provision of jobs.

Thank you.

**Attachment 1:
What Other West Coast Ports Are Doing to Attract China Trade**

While California's ports are making themselves more efficient, other ports from Alaska in the north to Panama in the south are taking measures to improve their ability to handle the rapidly growing Asia trade. Here is a summary of what they are doing:

Anchorage, Alaska is spending \$350 million to boost its container business from 500,000 annual containers to 1 million in the next two or three years. Authorities there claim that they can move containers by rail to the middle of the U.S. within three days.

Prince Rupert, British Columbia, located a few hundred miles south of the Alaskan peninsula, is spending \$500 million (Canadian) to increase capacity to 2 million containers per year. The Port projects an actual volume of 1.2 million containers. Completion of the first terminal is slated for 2007, with the expansion program targeted for a completion date of 2009.

Vancouver, British Columbia is also mentioned as developing plans to increase its container handling capacity.

In the **Pacific Northwest, Tacoma** has just built a 170 acre terminal for Evergreen. Both Hyundai and Hanjin have rerouted ships from Long Beach to this less-congested port. In the case of Hanjin, it has also diverted Long Beach cargo to **Seattle** and to **Portland**. Both Tacoma and Seattle are gearing up for increased Asia traffic, increasing their combined capacity from 3.8 million containers in 2004 to between 5.1 and 5.5 million by 2006.

Ensenada, Mexico is being considered for development as a deepwater port by Hutchison Port Holdings of Hong Kong. Hutchison would invest \$1.2 billion over ten years to build this Baja California site into Mexico's primary Pacific trade port. The port's capacity would increase from the current 60,000 containers per year to 250,000. Improvements would also include rail connections to the U.S. via Arizona.

Manzanillo, Mexico, an existing container port to the north of Acapulco, is negotiating with major international shippers Wal-Mart and Target to bring their North American imports through this relatively uncrowded gateway.

Lazaro Cardenas, Mexico, south of Manzanillo, has a capacity of 250,000 containers per year. It has a rail connection that Kansas City Southern, a U.S. railroad serving Texas and the Gulf Coast is interested in buying. If the sale goes through, then KCS will have direct access to both Atlantic and Pacific Basin trade.

Panama is considering developing a container port on the isthmus and is in the process of developing plans to widen the Canal to accommodate Post-Panamax ships.

The Advantages of Using California Ports

Advantages to shippers of moving goods through California ports result in goods getting to market faster and at a competitive price.

- California's ports are located in major North American markets.

- California's ports are in place, unlike some locations that will require significant amounts of time and money to develop facilities.
- Overall, container-handling capacity is available at California's ports. In particular, this is the case at Oakland.
- Established Customs and Homeland Security procedures are already in place at California's ports.
- An established all-weather transportation infrastructure is in place to move goods between California ports and points inland.
- Sailing time from Asia is shorter to California than it is to more southerly North American ports.

Attachment 2: Port of Oakland Access Improvement Projects

A package of priority projects are listed below that will enable the Port of Oakland to meet the growing intermodal container movement demand. These projects will not only keep existing jobs and dollars in California and in the U.S., but will create significantly more jobs and economic benefit within the state and nation as we more effectively utilize our ports and their associated transportation infrastructures.

The projects fall into two major categories: (1) gateways connecting the Port to the rest of the country and (2) regional and local access to the Port and Port intermodal facilities. Both kinds of projects are critical and the benefit of projects in one category cannot be derived without completing the projects in the other category.

Gateway Projects

Improvements to the Central Corridor Line

This project was anticipated as part of the Southern Pacific /UPRR merger plan approved by the Federal Surface Transportation Board (STB). It would improve clearances, by removing or modifying snow sheds and tunnels on the former S.P. line serving Northern California over Donner Summit to allow the movement of double-stack container trains.

Currently, both international and domestic container traffic is routed over the Feather River route. Opening of the former Southern Pacific line to this traffic will significantly reduce transit times for goods moving between Northern California and the Midwest and East Coast. It will further provide new capacity systemwide on a route used by both BNSF and UPRR. Project cost is estimated to be \$22.1 million in 2003 dollars.

A follow-up project to capacity enhancement over the Sierra Nevada is double tracking the UPRR line from Reno to Salt Lake City, so that rail congestion is not simply pushed farther down the line.

Port Access and Facility Projects

Construct Outer Harbor Intermodal Terminal (OHIT)

This project will construct an expanded intermodal rail terminal at the Port on the former Oakland Army Base. The OHIT Project will include constructing container loading and unloading tracks, parking areas for over 2000 containers and connections to the railroad mainlines. This new facility will increase the rail terminal capacity at Oakland from approximately 640,000 containers per year to 1.7 million containers (1.2 million TEUs to 3.1 million TEUs).

Between 1998 and 2006, the Port will have invested over a billion dollars to increase its marine terminal capacity to 5 million TEUs. To fully take advantage of this increased capacity and for the Port to continue to serve as a major California gateway to the nation, the current capacity of the rail terminals must be increased. With this new terminal, the Port will be able to increase the number of jobs it generates and augment its contribution to the overall economic vitality of the region. Additionally, increasing rail capacity at Oakland will make it possible to reduce regional and statewide truck movements of containers by providing alternative delivery services by rail.

The project cost is estimated to be \$87.5 million. This project is included in the MTC Regional Transportation Plan (T2030). The Port and its transportation partners will provide the appropriate local matching funds.

7th Street Grade Crossing and Roadway Improvement

This project will replace the railroad bridge crossing at 7th Street that provides access to the JIT and to the UPRR intermodal facilities. Replacing the bridge will allow the widening of 7th Street, a major arterial street that connects the Port with I-880 and will improve the grade separation of the access tracks that serve the JIT. 7th Street also provides the main access for the public to the Port's 40-acre Middle Harbor Shoreline Park. The current rail bridges and roadway were constructed in phases between 1930 and 1954 and cannot meet the rail infrastructure requirements for future Port growth.

This project will increase the Port's capacity for moving both rail and truck cargo into and out of the Port area. A new rail bridge is necessary to connect the existing rail terminals with the Port's planned new Outer Harbor Intermodal Terminal and provide an integrated, grade separated rail system to serve the Port. Current studies performed by JWD/Parsons Transportation indicate that 7th Street will reach its capacity of about 3 million TEUs by 2010. Construction of this project is necessary for the Port to handle the projected growth in the future and will provide safer access to the Port's terminals and for the public using the Middle Harbor Shoreline Park. Project cost is estimated to be \$68.8 million. This project is included in T2030. The Port and its transportation partners will provide the appropriate local matching funds.

Construct Access Improvements to the Port of Oakland Joint Intermodal Terminal and Union Pacific Rail Facility

This project will build new connections between the UPRR mainline and the Port of Oakland JIT. The improvements will include construction of two new 8,000-foot receiving and departure tracks, additional storage tracks at the Port-controlled Knight Yard located at the former Oakland Army Base and a double-track connection to the Port JIT. The project would use both existing UPRR right-of-way and Port-controlled or owned property.

The UPRR mainline entering from the north is the major rail access to the nation's fourth largest container port. This line also serves as access for AMTRAK and California passenger train operations and provides support track for UPRR Oakland terminal operations. Currently, both BNSF and UPRR have a limited capacity to move trains into and out of the area. Trackage available for storing trains prior to departure or after arrival is extremely limited. Construction of these improvements will allow independent movement of BNSF trains into the Port JIT, decrease the number of conflicting train movements for UPRR, BNSF and AMTRAK and provide additional support track for both UPRR and BNSF. The project will create the capacity to move more trains with fewer delays into and out of Oakland and is critical if the Port is to achieve its goal of more than tripling the number of intermodal containers moving by rail through the Port over the next five years.

Project cost is estimated to be \$12 million. This project is included in T2030 as part of a \$100 million Port rail access improvement program. The Port and its transportation partners will be providing the appropriate local matching funds. Currently, UPRR and BNSF are holding discussions on this segment of track and may resolve the capacity constraints themselves.

Upgrade Union Pacific Mainline Between Oakland and Martinez

This project will rehabilitate the UPRR “waterside” drill track to mainline standards, including new signals and track connections. This project will effectively provide a third mainline into Oakland. In addition there are opportunities to construct new sidings to allow trains to pass. There are also opportunities to grade separate crossings and upgrade warning devices.

This project would significantly increase the capacity of the UPRR mainlines serving Oakland and would ensure the ability of the railroads to serve the projected growth at the Port as well as ensuring that future increases in passenger/commuter train traffic can be accommodated.

The waterside drill track costs are estimated to be \$6 million. Additional siding costs and grade separation costs are not available at this time.

Re-establishing Rail Service between Martinez and Tracy

The UPRR “Mococo” branch line between Martinez and Tracy has been in limited service for several years. The re-opening of the line was anticipated in the Southern Pacific/UPRR merger operating plan. Re-opening of this line will provide new capacity in the region’s rail system and provide significant operational flexibility for the railroads. This project would include track rehabilitation, signal work and construction of two new sidings and could provide the added capacity between the Central Valley and the Port that CIRIS trains might demand. CIRIS is addressed in the following project description.

BART is negotiating with UPRR for use of the right-of-way to provide expanded commute rail services to West Contra Costa County. The Port supports these efforts and has been meeting with BART and the UPRR to explore options that could include the future freight rail operations anticipated in the Southern Pacific/UPRR merger operating plan along the right-of-way.

The project cost to upgrade the line for freight rail service was estimated to be \$21 million in 1995 dollars by the merger operating plan. This is roughly \$28.6 million in 2004 dollars.

California Inter-Regional Intermodal System (CIRIS)

This is a shuttle train between the Port of Oakland and one or more points in the Central Valley, designed to divert container movements from truck to rail. This will have a beneficial impact on traffic congestion and air emissions in the Bay Area, Central Valley and Los Angeles Basin. The benefits to the Los Angeles Basin would come from diversion of ships from the congested ports of Los Angeles and Long Beach to Oakland, with cargo destined for Southern California railed to logistics centers in the Central Valley, such as the City of Shafter (Kern County) has proposed, then trucked over the Grapevine into the Los Angeles Basin. Studies have shown that such routing would actually save time over ships waiting in San Pedro Bay, then moving the containers through heavily-trafficked corridors from the ports to distribution centers in Central Los Angeles and Riverside & San Bernardino Counties. The cost would be approximately \$6 million to \$12 million for development of Central Valley intermodal facilities, plus the costs of making needed access/egress improvements at the Port of Oakland, which would directly benefit CIRIS as well as general intermodal growth at the Port of Oakland.

Eastbound I-80 Truck Access Ramp.

This would be a largely at-grade truck-only ramp accessing the base of the viaduct connecting northbound I-880 and eastbound I-80 from the adjacent frontage road. Currently, trucks exiting the Port along 7th Street must traverse the entire frontage road, negotiate a four-way signaled

intersection at West Grand Ave. and enter the viaduct at elevation. This causes congestion at the intersection, which could become significantly worse if the City of Oakland pursues plans to develop a major retail complex at the site of the Oakland Army Base. Estimated cost of this project is \$5 million and could be less if the work is done entirely at grade.

I-880/5th Street Ramp Improvements

This project consists of restriping and constructing some minor geometric improvements at the base of the Alameda/Broadway exit ramp from southbound I-880 at 5th Street. This ramp is heavily used by trucks accessing the Port's Middle Harbor Terminals, by making a right turn at the bottom of the ramp at 5th Street. Currently, there is no dedicated right turn lane, so vehicles making a right turn frequently have to wait behind others going straight through the signalized intersection.

This results in delays and longer queues backing up the ramp. In addition to striping, some curb modification may be called for to allow long trucks to make the turn quicker and more safely. The estimated cost for this project is \$550,000. It is likely that the Port would want to partner with Caltrans on this project.

North Airport Air Cargo Access Road

Design and construct a new roadway to connect SR 61 with a new air cargo complex being developed at Oakland International Airport North Field. Will include widening of SR 61 and installation of a new traffic signal at the intersection. This project is designed and ready for construction as soon as funding is secured. Total cost in \$2004 is \$12 million.

Rebuild Adeline Street Overcrossing

Reconstruct this major truck entrance into the Port area to regrade for more efficient and effective use by trucks and to make it better able to withstand a seismic event. Cost: \$60 million.

California State Senate & Assembly Joint Hearing

Ports & Goods Movement

May 4, 2005

Ports v. People: Does It have To Be This Way

An Environmental Justice Community Perspective

**Jesse N. Marquez - Executive Director
Coalition For A Safe Environment**

Environmental Justice communities are often asked why do we oppose Port growth and doesn't the Port create badly needed jobs in the community and help our economy. Our answer is very simple if we the community had been an active partner with the Ports and the future planning of them we may not be opposing them today and yes we do need jobs.

What has really happened over the past years is that Ports were planned strictly for business with no considerations for their impacts on the local communities. Billions of dollars have been spent on Ports infrastructure and growth and almost nothing in the redevelopment of the bordering Port communities and the goods movement transportation corridor communities.

The Ports of Los Angeles, Long Beach and Oakland are unique because residents live across the street or just a few blocks away and the goods movement transportation corridors are not located in isolated industrial zones but in fact pass through hundreds of cities passing millions of residential homes.

It is our communities that have to breathe the diesel fuel exhaust from ships, trucks, trains and yard equipment every day. It is our communities and children that are suffering from an asthma crisis and numerous other health problems. It is our friends and family members who are dying every day. This is our reality.

Yes it is true that our population growth has caused an increase in imports, but it is also true that Walmart, Cosco, Kmart, Disneyland and numerous other companies have dumped US Manufacturers causing hundreds of thousands of US workers to lose their job in order for them to make a higher profit. When red, white and blue all American Disneyland stopped purchasing US made Mickey Mouse baseball caps in order to purchase cheaper Communist China made caps it did not drop the retail price of the caps to pass on the savings to the consumer. Disneyland pocketed the extra profit. Walmart made over \$ 1 billion in net profit in 2004. The Port of Los Angeles makes between \$ 400-\$600 million in net profit every year. ConocoPhillips made \$ 8.1 billion in 2004 and \$ 4.7 billion in 2003.

Communities in the past did not have an opportunity to decide which were the best types of businesses for their communities or technology alternatives. When a few brave residents, homeowners and environmental activists in the past began to question why alternative technologies were not being implemented and why there was no environmental or public health mitigation they were just ignored.

But as we all know now, all that has now changed. The public is now aware of the health hazards of Ports and Goods Movement Industry. The public is now aware that there are alternative technologies and the public wants to participate in the greater city and regional planning process.

Are there a solutions? The answer is yes. Can we make up for past sins, yes we can.

What will it take to move forward. Well sometimes to move forward requires us to first assess where we are and to evaluate whether or not we want to move forward at the speed we are being pressured to.

We are told the Ports and Goods Movement Industry is an economic engine, creates one out of seven jobs and generates over \$ 200 billion annually in revenues in California. Yet the public have never seen one report that is a comprehensive cost-benefit analysis. How many US manufactures are put out business each year? What is that cost? How many US workers lose their jobs to over seas outsourcing each year? What is that cost? How much unemployment is being payed out annually?

The Union of Concerned Scientists estimated that the cost of health care due to air pollution in California is \$22.5 billion annually. That study only involved five health categories. Thirty five Californians have died from West Nile Virus, how did that Asian mosquito get here? Our guess is a container from a Port. What is the cost of those lives and others that were infected? These are just some of the things that need to be addressed.

What are some of the solutions? Here are some of our recommendations:

1. Comprehensive Port & Goods Movement Cost-Benefit Analysis.
2. Establish an annual \$ 500 million environmental mitigation fund, until remediation and restoration of our environment, wetlands, wildlife habitat, air, land and water is completed.
3. Establish an annual \$ 500 million public health mitigation fund, until all public health crisis and health care costs are brought under control.
4. Establish an annual \$ 500 million public and goods movement transportation infrastructure fund, until all needs have been satisfied. We recommend a statewide underground container transportation system.
5. Establish an annual \$ 100 million community redevelopment mitigation fund, until all port, goods movement transportation corridors, rail yard communities and distribution centers communities have been mitigated.
6. Establish an annual \$ 100 million security, inspection, decontamination and enforcement fund.
7. Design all new terminals and renovate existing terminals to use automated and drop-to-rail technologies.
8. Purchase all new ships with the BACT engines. We know the prices are relatively the same cost.
9. Require 70% of all regular visiting ships to use cold ironing for main and auxiliary engines while in Port.
10. Require the remaining 30% of all ships to use a stack emissions capture technology while in Port.

11. Require all ships to use low sulfur diesel fuel or marine diesel gasoline. We know the cost is only \$62-\$155 per container (for an 8,600 TEU Ship) and when distributed equally between the contents it only raises the price of the item by a few pennies.
12. Require all diesel trucks, trains and equipment to use low sulfur diesel fuel, alternative fuels, bio-diesel fuel and/or fuel additives.
13. Require all trains to be electric or hydrogen fuel in the Alameda Corridor.
14. Relocate all off-port container storage facilities from local communities.
15. Relocate all major rail yards away from community residential areas.
16. Relocate any off-Port inspection facilities to the Port.
17. Relocate all hazardous chemicals and fuel storage tank facilities that border communities to a safe distance Port location.
18. Do not accept any container cargo destined for out of state.
19. Do not expect the public to subsidize the cost of private business expansion or transportation infrastructure.
20. Establish a moratorium on Port expansion until a comprehensive mitigation plan has been established.

The challenge is for all of us to now sit at the table and address all issues.

Coalition For A Safe Environment
140 West Lomita Blvd., Wilmington, CA 90744
jnmarquez @ prodigy.net 310-704-1265

**PRESENTATION TO CALIFORNIA LEGISLATURE
JOINT HEARING "GOODS MOVEMENT MELTDOWN - WHAT SHOULD BE THE
STATE'S STRATEGY"?**

MAY 4, 2005

Testimony of Rusty Selix,
Executive Director
California Association of Councils of Governments (CALCOG)

1. What are the most significant problems and challenges regarding the efficient movement of goods in the state?

The single greatest challenge is the enormous growth in goods movement. Goods movement is the fastest growing segment of vehicle trips. The goods movement or logistics industry is one of the largest and fastest growing segments of California's economy.

Even if we had well funded transportation systems, this phenomenal growth would pose an enormous challenge and burden.

Beyond the growth itself, the aspects of the growth that are particularly challenging are the following:

- Freeway congestion - It is predicted that it is a matter of when, and not if, that truck traffic along will use up all of the available capacity on many significant freeway segments. Clearly, there is a need to develop additional roadway capacity or develop other ways to expand the utilization of rail, air and other freight movement strategies.
- Local streets and roads - In addition growth in both truck and rail freight are having an enormous impact upon local arterial streets due to congestion and delays associated with the increased frequency and size of freight trains at grade crossings. Communities increasingly complain about the environmental and safety impacts as well.
- Funding - Expanding roadway or rail capacity, developing special projects, such as the Alameda corridor, cost enormous amounts of funding. The existing revenue streams available are nowhere near what it will take to have any type of effective system. The cost to the industry in terms of additional staff hours due to slow travel times and equipment being on the roadways longer is enormous.

- California is the port of entry for about half of the nation's imported goods and yet California still does not get even an average share of federal transportation funds. The most common measurement is what our funds represent as a percentage of the gas tax funds generated. California gets only 90.5% - the national minimum. An average distribution would be 100% and our fair share would be even larger due to the goods movement contribution we make to the nation.
 - In most parts of the state, there is a need for better coordinated metropolitan-wide strategic planning to bring all of the necessary organizations together into coherent plans to address the challenge. Federally funded metropolitan planning organizations lack not only the resources but also the planning and oversight tools to effectively manage this issue in the context of surface transportation planning for which they are given primary responsibility under federal law, and work in partnership with county transportation commissions to carry out state and federal planning under state and federal laws.
2. What are your recommendations for improving the movement of goods in the state?
- Significantly increased funding is required. Clearly, we need to increase the capacity of our roadways and rail systems to move greater amounts of goods. On rails, there also is a significant need to do so in a manner that creates capacity for passenger rail/commuter rail so that both can grow without impacting each other's efficiencies. Grade separations are also necessary.
- The current level of federal, state and local funding for transportation is not even enough to maintain repair and operate our current freeway, roadway and transit systems that we currently have and we are consistently falling farther and farther behind because the revenues do not keep pace with population inflation and vehicle miles traveled.
- More attention needs to be paid to the potential for public/private partnerships utilizing toll revenues for dedicated truck routes or lanes whereby the significantly reduced travel times should produce sufficient value for trucking operators and other elements of the goods movement industry to be willing to pay the costs associated with constructing and operating these facilities.
 - Provide additional funding and authority for existing agencies to improve regional planning and coordination of all elements of goods movement from the ports to the distribution centers across all modes of good movement within the state.
3. What is the most effective governance structure to implement and administer goods movement projects that cross more than one jurisdiction?

To the extent that an existing agency cannot create or be the agency and legislation is required, we think the governance structure needs to reflect the funding mechanism for the project and the type of project that it represents. There clearly is no one-size-fits-all answer as to the governance for a particular project. However, whatever governance structure is used for that project it should be structured in a way to maximize the ability to construct the project and operate the project in the least amount of time and at the lowest cost.

The fundamental challenge to constructing such projects is obtaining financing for them and whatever governance structure is most likely to yield the necessary financing is the governance structure that should be pursued.

To the extent that it is a single purpose governance structure and not one that is part of an existing county or regional transportation planning organization, there needs to be requirements that the project be part of a regional transportation plan and be coordinated with other transportation planning for the existing system and other projects that are impacted by the system.

California Legislature Joint Hearing
Goods Movement
May 6, 2005

BNSF Railway Testimony

Our goods movement system has, until now, been comprised of a series of largely un-integrated parts responding ultimately to consumer demands. While this has provided us with an unmatched quantity and variety of available products, it has also put a strain on our infrastructure, with concurrent impacts on regional communities. Many in California now recognize the need to develop innovative statewide programs to address goods movement and its concurrent environmental issues. In these undertakings, a variety of parties will need to come together and work in a new, collaborative effort to serve the interests of everyone involved in the business of goods movement while addressing the protection of the environment.

THE NEED

The food we eat, the clothing we wear—and all of the materials we use every day—come to us through a system of roadways, railways, airports and seaports, making their way to California's markets each day. As the populations of California and the Nation have increased, so has the demand for the supply and movement of goods. This growing demand has fueled significant economic growth; it has also strained California's infrastructure and increased related impacts on regional communities.

Freight volumes are expected to at least double and perhaps triple in the next two decades. If California does not address critical infrastructure concerns today, the economic health of the region, state, and nation will suffer. Economic opportunity for the region's inhabitants will be affected, through slower growth and inevitable job losses. Capturing expected cargo growth, on the other hand, will create high-wage logistics sector jobs to replace some of those lost in manufacturing and will ensure continued priming of the economic engine.

TRADE RELATED JOBS AT RISK

International trade sustains hundreds of thousands of jobs in Southern California. The number of trade-related jobs has been growing along with the increase in trade volumes. Yet, with regional infrastructure nearing capacity, continued growth in these jobs is

threatened. The LAEDC has estimated the potential number of additional jobs at risk and the state tax revenues foregone if Southern California's trade infrastructure capacity is not increased to accommodate the projected demand.¹

Southern California has been adding trade jobs roughly in line with growth in the value of international trade moving through the L.A. Customs District. In the past 25 years, the inflation-adjusted value of international trade has increased 3.6 times, while the number of direct trade jobs has grown 2.6 times. Looking just at the 14 years since 1990, trade value has increased 1.56 times and trade-related jobs have increased 1.55 times. Going forward, this relationship suggests that a doubling in trade value would roughly double the number of direct trade jobs; if trade triples, so should the number of direct trade jobs.

Burgeoning trade with Asia, particularly China, could easily sustain a tripling in the value of trade moving through the Ports of Long Beach and Los Angeles by 2035. Yet the capacity of existing trade infrastructure will not support that much additional traffic. At best, under current operating practices, the region's existing ports, freeways, railroads, and intermodal rail yards could only be stretched to allow current trade volumes to double. Thus, unless something is done, current capacity constraints will restrict trade-related employment to at most doubling rather than possibly tripling.

Failure to build the transportation infrastructure to accommodate expected growth in international trade, therefore, represents a monumental missed opportunity. If trade-related employment doubles when it could have tripled, the region will have foregone job creation equivalent to the entire trade-dependent workforce in 2003.

Alternatively, Southern California could invest in greater infrastructure capacity. In addition to easing congestion for non-trade-related transportation and reducing air pollution, adding new capacity could allow the region to maximize its trade-related job base. The extra job growth could begin almost immediately as trade-related firms take actions to handle the larger volumes that can be accommodated under this scenario. Employment builds gradually with increases in the value of international trade moving through Southern California. With infrastructure needs addressed, the region should double its trade-related jobs sooner than in the no-build alternative, and then continue to add jobs instead of stalling out.

BALANCING TRADE RELATED ECONOMIC OPPORTUNITIES WITH TRAFFIC CONGESTION AND RELATED ENVIRONMENTAL ISSUES

¹ Economic data included in the current draft of the Los Angeles Economic Development Council's West Coast National Freight Gateway study reflects the opportunity to add approximately 550,000 trade-related new jobs by 2035. It further argues that these jobs, if created, would result in total sales and income taxes to the State of California in the range of \$17 billion by 2035.

Concurrent with opportunities for significantly increasing employment options in Southern California, there is increasing pressure to address traffic congestion and related environmental issues associated with handling the increase in trade. Balancing all of these interests in a way that produces the best results for the region, the state and the nation will require bold and coordinated leadership at the local, state and federal levels.

As presently configured, California's infrastructure cannot handle the goods demanded and expected to be demanded by our citizens. Nonetheless, as population continues to grow, the needs of our people will grow and the goods will continue to come, creating even greater pressures on California's infrastructure system, clogging ports, roads and highways and threatening California jobs.

Assessing how to move forward should be a collaborative effort among the logistics industry, customers, state, local and regional governments, business, labor, regionally impacted communities, environmental groups, and other interested stakeholders.

THE PRINCIPLES, STRATEGIES AND A CALL TO ACTION

Principle 1 *A well-planned, expanded and efficient goods movement system in California is vital to maximizing the economic benefit of projected trade growth, both for the State's economy and the United States as a whole. At least 547,000 jobs in Southern California and \$17 billion over 30 years in just state sales and income taxes may all be foregone without sufficient capacity improvements².*

Capturing an adequate share of the expected cargo growth will create good jobs, many of them paying wages commensurate with those in industries losing jobs, such as manufacturing. The freight logistics industry—wholesale trade, warehousing, and transportation sectors—represents over 8 percent of the Southern California region's total employment, or 611,000 jobs in 2003. Since 1990, the logistics industry has contributed more than 12 percent of total job growth in the region. The Southern California Association of Governments ("SCAG") projection shows that the industry will almost double its employment size by 2030, to reach over 1,000,000 jobs and account for almost 10 percent of regional employment

Moreover, over a quarter million manufacturing jobs directly related to merchandise exports are supported by the logistics infrastructure. The transportation and logistics industry also pays well: its average weekly pay – \$847 in 2003 – is more than two times the pay in the leisure and hospitality sectors (\$400/week), and is even higher than average weekly pay in manufacturing (\$843).

Principle 2 *Private industry and government must immediately develop comprehensive operational adjustments and infrastructure improvements to facilitate*

² Job growth and tax figures developed by the Los Angeles Economic Development Council.

goods movement in both the short term and long term, throughout the state of California.

The following list, not intended to replace the need for a comprehensive analysis, are possible short and long term operational and infrastructure enhancements:

Operational Enhancements – Immediate Implementation

1. **Extend San Pedro Bay Port and Terminal Hours of Operation** – Call for accelerated implementation of the “PierPass” program as an important management tool to improve efficiency of terminal gate operations at both Ports. PierPass is a critical first step in moving the gates and terminals to a 24/7 schedule of operation. An additional step to furthering 24/7 operations would be to encourage warehouses and marine terminals to receive and process shipments around the clock.
2. **Develop Better Trade and Transportation Forecasting** - Carriers, terminal operators and railroads should be encouraged to communicate regarding trade flow forecasting to avoid labor and equipment shortages.
3. **Implement Port-wide Terminal Appointment Systems for Truckers** - Truckers should have an appointment system to avoid lengthy idling and increase the utilization of on-dock space.
4. **Increase Use of On-Dock Rail Yards** – Increasing the use of on-dock yards can reduce pressure on the freeway system, because containers that are loaded on-dock do not have to be trucked to more distant rail yards. To ensure port customers use on-dock intermodal rail to the fullest extent, the following operational improvements should be pursued:
 - ✓ work with the railroads to assure timely arrival of empty intermodal equipment and the availability of rail crews
 - ✓ work to improve the productivity of loading and unloading of rail cars
 - ✓ promote the use of “block swap” operations to maximize the number of rail cars loaded on dock
 - ✓ alter terminal operator business practices to prevent storage of containers on rail lines at on-dock terminals.
5. **Encourage Ocean Carriers to Load Containers on Ships by Ultimate Destination** - Steamship lines need to be encouraged to modify their stowage plans so that cargo is loaded aboard ships in blocks by destination. This will facilitate unloading and removal and reduce handling time.
6. **Encourage Methods to Reduce Marine Terminal Dwell Time for Containers** - Reducing marine terminal dwell time for containers by 50% will double on-dock capacity. Current marine terminal dwell time is typically six to eight days.

Options for addressing this situation include encouraging marine terminal operators to limit “free time” during which containers can be stored on dock, extending hours of Port operation, and adopting operating efficiencies such as block stowage plans.

Infrastructure Enhancements

1. **Alameda Corridor East (ACE) and Other Grade Separations** – The ACE projects seek to eliminate grade-crossing conflicts through the San Gabriel Valley, Orange County, and the Inland Empire. The \$900 million request by the Southern California Congressional representatives should be actively supported.
2. **Port Infrastructure Projects To Improve Rail Operations** – To increase the use of rail, particularly on-dock loading, the San Pedro Bay ports have identified the need for additional on-dock yards, Centralized Traffic Control, additional storage tracks, longer arrival and departure tracks, bridge improvements and related facilities to accommodate expected increases in rail traffic. Relatively minor projects should begin in the next two years. New and expanded on-dock rail yards should be constructed.
3. **New Intermodal Facilities** – Most of the responses to the growing need for intermodal lift capacity could take more than five years to complete. In the near-term, the Port of Los Angeles has adopted an Intermodal Rail Policy that “provides for on-dock and comparable near-dock intermodal facilities for ... Class I Railroads.” The Port of Los Angeles has selected BNSF as the operator of a new, near dock intermodal yard, the Southern California International Gateway, to be constructed immediately south of UP’s existing ICTF yard. The new yard would accommodate 1,000,000 to 2,000,000 TEUs per year (540,000 to 1,100,000 lifts per year). Such a facility could eliminate millions of truck miles annually from the 710 and other local freeways, under current operating practices could employ between 800 and 1,000 people, and would increase the utilization of the Alameda Corridor.
4. **New Freight Rail Capacity** – Given increased freight and passenger rail traffic, mainlines east of Los Angeles will need to be triple- and sometimes quadruple-tracked in the coming years. Bottlenecks such as the rail-to-rail Colton Crossing and rail capacity through Cajon pass must also be addressed. Support should also be given to other projects outside California that support east-west interchanges, such as the Chicago CREATE project which establishes corridors to work trains and new high speed connections between railroads.
5. **Colton Crossing Rail –to-Rail Grade Separation** – All freight trains entering or leaving Los Angeles pass through the Colton Crossing, a rail-to-rail BNSF/UP crossover. Congestion through this crossing can delay trains leaving the San Pedro Bay ports, as well as westbound trains entering the Los Angeles Basin.

This crossing also limits future Metrolink capacity. Grade separating this crossover would help eliminate east- and westbound rail delays.

6. **Cajon Third Track** – Steep grades, low speeds and high volumes create a bottleneck for freight trains through the Cajon Pass. Fifteen miles of third main track are needed to accommodate additional freight volumes, ensure reliability and improve efficiency.

7. **Improved Port of Oakland Access** – Track access into the Port of Oakland complex should be reconfigured to enable trains to enter the Oakland International Gateway intermodal yard while other trains are simultaneously departing. This adjustment would increase the throughput and fluidity of the existing facility.

8. **Rail Crossovers in Tehachapi Pass** – BNSF and Union Pacific share a single track rail line through the Tehachapi Mountains between Mojave and Bakersfield. This route connects the Port of Oakland to BNSF's transcontinental route to Chicago, which serves points east. Congestion through the Tehachapi Pass can cause freight to back up from the west through the San Joaquin Valley and from the east to Barstow. Two way crossovers would improve the movement of trains by reducing the need for a train to wait while another train clears a particular section of track, increasing capacity and improving efficiency through the Tehachapi Mountains.

Principle 3 *Any new revenues that are established to further goods-movement initiatives must not be diverted for other purposes. Public sector investment must fund benefits to the local, state and federal stakeholders, while private sector contribution must deliver private sector benefits.*

- The state and the goods movement community must work together to develop and tap creative funding mechanisms that allow beneficial infrastructure projects to proceed rapidly. BNSF is committed to working with the Legislature to analyze both traditional and non-traditional sources of funding.

- Governor Schwarzenegger's 2004 May Revise included a requirement that the BT&H Agency and CTC review TCRP projects and allocate funds using the following criteria: (1) Economic impact, including jobs; (2) Impact on goods movement; and (3) Leveraging of local, federal and private funds. BT&H should initiate a review of pending TCRP funds as a potential state source for strategically important goods movement projects in cooperation with the Regional Transportation Planning Agencies and the private sector.

- The intent of the Legislature in authorizing the use of GARVEE financing in California was to accelerate the funding and construction of critical transportation infrastructure projects. Projects should also be selected to receive funding for accelerated construction from GARVEE bond proceeds.
- Both the Federal and State governments must act to support innovative procurement and public-private funding mechanisms. In order to achieve public-private funding, an economic study should be performed to objectively quantify public versus private benefits. Input from shippers will be invaluable to this process. California on its Alameda Corridor project and Chicago on its CREATE program performed such analyses to secure financial contribution from both public and private interests. Such an objective economic assessment needs to be performed to achieve the support and financial participation of all parties.

Principle 4 *The federal government must be a partner.*

This is not simply a California issue. While the goods movement system serves the entire nation, the infrastructure costs and its impacts have thus far fallen predominately on California. The rest of the Nation depends on this system and must be a partner in paying for it. The time has come for the federal government to recognize there must be a new paradigm in trade policy: providing fair and balanced funding of trade-related infrastructure to the global gateways in California. In seeking increased federal investment, California must speak with one voice to the federal government.

- The U.S. Secretary of Transportation and Congress should be encouraged to support specific elements of pending federal legislation beneficial to goods movement (i.e., the National Corridor Infrastructure Improvement Program, Freight Intermodal Connectors, and Projects of National and Regional Significance), and to support streamlining of federal environmental review.
- The State and regional stakeholders should work with the new U.S. Department of Transportation Southern California Gateway office in Long Beach on local implementation of new national and state policies.
- The State Lands Commission should be encouraged to evaluate the performance and management of the State's port facilities to maximize the benefits of these unique and valuable state assets for California and the Nation at large.
- The California Congressional delegation should be encouraged to ensure that strong goods movement provisions are incorporated into the TEA-21 reauthorization bill. A key element should include the establishment of dedicated sources of revenue for goods movement projects of "National Significance," including the four-county Alameda Corridor East program. In addition, Congress should create new innovative sources of funding to support goods movement related infrastructure and enhanced port security, including the dedication of Federal Customs Duties. For example, imports moving through the San Pedro Bay Ports generated \$6.6 billion in Customs Duties (2003), which is over 30% of the total Duties collected in the entire U.S.

Principle 5 *Planning and investment as a result of the work of this effort must begin immediately because many key projects will take years to deliver. Without action, congestion will worsen.*

- Projects must be facilitated through the use of innovative procurement arrangements, such as design-build, that compress the project delivery timeline. Changes to state law are needed to make this process more widely applicable.
- Projects that are ready to go should move forward. Operating efficiency improvements should be implemented as soon as possible to maximize use of existing infrastructure. Without action, congestion will worsen. There are projects already on the table that have widespread support. They need not wait for the entire plan to be proposed and vetted.

Principle 6 *Environmental, quality of life, and mobility issues associated with the forecasted import/export trade growth should be a primary focus of this effort. Issues arising from new growth, however, must be distinguished from those which currently exist whether or not the goods movement infrastructure is improved. The latter set of issues should be addressed with the assistance of federal, state and local agencies currently regulating environmental, planning, and other associated areas.*

- There should be a stronger federal-state partnership to deal with emissions from trucks, ships, trains, and other sources outside local jurisdiction.
- The California Environmental Protection Agency and California Air Resources Board should be directed to move forward to develop an innovative statewide program to address environmental issues relating to operations associated with California port facilities.
- CEQA should be reformed to streamline the project evaluation process and evaluate a range of alternatives considering such factors as available lead times for projects, statewide and regional concerns, etc.

Mr. R. Kirk Lindsey

**President
Brite Transport System, Inc.
P. O. Box 726
Riverbank, CA 95367**

**Commissioner and Past Chair
California Transportation Commission**

**ASSEMBLY TRANSPORTATION COMMITTEE
SENATE TRANSPORTATION AND HOUSING COMMITTEE
SENATE TRANSPORTATION SUBCOMMITTEE ON CALIFORNIA
PORTS AND GOODS MOVEMENT
ASSEMBLY SELECT COMMITTEE ON PORTS**

**Joint Hearing
Wednesday, May 4, 2005
State Capitol, 3:30 p.m., Room 4202**

**GOODS MOVEMENT MELTDOWN – WHAT SHOULD BE
THE STATE’S STRATEGY?**

Experiencing the Daily Frustrations of an Outdated Infrastructure

California once had a transportation program funded almost exclusively from user fees protected by the California Constitution. We now have a program primarily dependent on motor fuel taxes, a funding source without constitutional protection. For each of the last four years, the proceeds from these taxes have been diverted from transportation. The reliance on funding that is not stable or dependable has created a crisis in the state’s ability to address the transportation needs of California.

Based on the Transportation Commission’s 1999 SR 8 Report, the annualized escalated transportation need is in the range of \$16 billion dollars. Funding specified in current law should provide an average of approximately \$4.5 billion per year, very slightly over a quarter of the identified need.

However, since 2001, over \$3 billion dollars of transportation funding has been diverted to fund General Fund deficiencies. The proposed budget increases this amount to \$4.5 billion, but provides the possibility that \$1.2 billion will be returned due to the realization of tribal gaming revenues.

The Governor's proposal to firewall Proposition 42 in the 7/8 year and beyond goes a long way to reestablishing a stable and reliable funding source for transportation. However, the proposal to suspend Proposition 42 in the 05/06 year, the prospect of a 06/07 suspension and the proposal to payback loans over a 15 year period exacerbate an already untenable situation.

State Transportation Improvement Program (STIP) projects have been the hardest hit. The Commission has not funded a single new capacity project without borrowing from future federal funds since June 2003. The current budget proposal will force a continued suspension of funding for STIP projects.

We have not funded a Traffic Congestion Relief project since December of 2002. If the proposed budget is enacted, this moratorium will continue through next year, unless tribal gaming funds are realized.

This year, 2004-05, the Commission will only be able to fund half of the \$1.8 billion dollars in the already constrained State Highway Operations and Protection Program. Rehabilitation needs continue to grow exponentially as the system ages and the lack of investment in early stages translates into more costly repairs as the system deteriorates.

The Commission is now beginning the development of the 2006 fund estimate, which will be the basis for the new 5-year State Transportation Improvement Program (STIP), scheduled for adoption in April 2006.

Each STIP is based upon an estimate of funding under current law. For each the last 3 STIPs, we have assumed annual transfers of the gasoline sales taxes now dedicated under Proposition 42. Where funds have been suspended, we have assumed repayment on the schedule now provided in law. In the 2004 STIP, we could not add new projects and we were forced to delay \$5.4 billion in existing projects by two years or more.

The funding outlook for the 2006 STIP is even worse. We now face the very real prospect, not only of further delays, but of deleting as many as half of the projects now programmed. With a historical record that shows repeated suspensions of Proposition 42 and continuing deferments of loan repayments, the prudent course for the Commission would appear to be to build a STIP that does not assume any revenues from Proposition 42 transfers or loan repayments.

What does this mean for Good Movement in California?

It means a bad situation will continue to deteriorate. At a time when the state's population is growing by over ½ million people a year, the continued lack of investment into transportation infrastructure will lead to increased congestion for all Californians. It will undermine the state's competitive edge as well as its economic viability.

What does this mean for freight operators?

Simply stated, time is literally money for freight operators. Congestion is growing on many key segments of the California transportation system, and congestion drastically reduces the productivity of the overall freight network by increasing the time required to transport goods. Therefore, congestion costs freight operators money.

Congestion costs freight operators money in several ways. First, congestion increases fuel consumption which increases operating costs. Second, congestion increases the time required to transport goods, increasing labor costs tied to a particular shipment. Third, congestion prevents trucks from optimizing the number of trips, increasing costs per trip. For freight operators, congestion is not just a daily frustration, but the cost, the high cost of doing business in California.

Congestion also severely impacts how freight operators do business. Reliability is a key issue for goods movement. Not only do trips take longer, increasing costs and reducing productivity, but operators cannot reliably predict travel times for scheduling or costing. For trucks, the ability to hit delivery windows predictably will decrease and will add even more costs as firms struggle to optimize delivery schedules. This is especially a problem for truckers who must meet “just in time” delivery schedules set by shippers and manufacturers.

And congestion is not just a cost borne by freight operators. Companies with production schedules timed to take advantage of trucks delivering components to an assembly line as they are needed, or “just in time”, must instead plan for items to arrive early. This consumes space and inventory expending resources that could otherwise be spent on productive activity. Higher transportation costs due to congestion reduce a firm’s ability to invest in making more products, improve product quality, and introduce new products.

Unfortunately, congestion is not a static problem, but one that is ever increasing. According to the Federal Highway Administration report “Traffic Congestion and Reliability: Linking Solutions to Problems,” peak-period trips required 39 percent more travel time in 2001 than a free flow trip at midday, up from 28 percent 10 years earlier. Of even greater concern is that congestion extends to far more time of the day and far more roads than ever before.

But the goods movement crisis is not just the daily struggle of truckers to make their deliveries. Congestion and its impact on goods movement is a much broader issue, one that affects every California citizen.

Goods movement in its broadest context – intrastate, interstate, and international – should be a California priority. Goods movement in California should also be a national priority. Approximately \$200 billion in trade passes through California ports annually, supporting a national total of 2 million jobs. As the nation as a whole benefits from this trade, the nation should share the costs required to maintain an adequate goods movement infrastructure. Federal mandates, such as the San Diego border crossings, should be paid

with Federal dollars. The full costs of goods movement, including the local burdens of congestion and air pollution, should be shared by all who benefit.

The goods movement dialogue must also expand its focus. Goods movement is not just a ports issue. It is not just a congestion issue. It is not just an urban issue. Goods movement is linked inextricably to transportation and land use and any lasting and quality solutions must come from this broader context. To this end, the Commission has established a Goods Movement Committee and looks forward to working with the Administration, Legislature and all interested parties to develop meaningful strategies for success.

There are two other issues that negatively impact the economic viability of freight operators in California that I would like to bring to your attention. The first relates to diesel fuel costs. If California maintains a fuel requirement that is higher than the nationwide standard, California domiciled trucks are not competitive and are at risk of being driven out of business. Should the economy of California become reliant on non-California freight companies?

The other issue is the current requirement that freight operators pay demurrage fees for containers not returned to the ports on time when the fault for the delay is the terminal operator.

**Goods movement Testimony for the State Legislature
May 4, 2005**

David Hull, Port Director, Port of Humboldt Bay

Members of the Committee

I'm David Hull, Port Director for the Port of Humboldt Bay, which is a Division of the Humboldt Bay Harbor, Recreation and Conservation District.

Thank you for holding this Joint Hearing and allowing me the opportunity to speak to how we believe that the Port of Humboldt Bay can play a role in the solution to the State's goods movement challenges and help to maintain California's competitive edge.

As many of you know, the Port of Humboldt Bay is located on California's northcoast approximately 200 miles north of San Francisco Bay and approximately 90 miles south of the CA – OR border.

The Port of Humboldt Bay is the only deep water port along a 400 mile stretch of coast between San Francisco Bay and Coos Bay, OR.

Due to our region's long history of maritime shipping, a great deal of shipping infrastructure, programs and expertise are in place. However, due to a decline in natural resource production, much of this existing infrastructure is presently underutilized.

The underutilized assets include

- 38' deep shipping channels
- 9 shipping docks all located within a 1 hours sail of the Pacific Ocean
- Over 1,000 acres of underutilized land zoned for coastal dependent industrial use
- Pilots, stevedore, longshore, Customs, Coast Guard and Homeland Security personnel
- Foreign Trade zone and Enterprise zone incentives available
- Existing upland transportation links

This infrastructure is available to assist in improving the State's goods movement ability, attracting new maritime business to the State, creating California jobs and tax base.

A recent example of how these assets may be put to use exists in a public-private partnership that is developing between the Port of Humboldt Bay, the Port of Oakland and Evergreen Pulp, a paper pulp mill on Humboldt Bay. This partnership is forming to develop a short sea shipping alternative to trucking paper pulp from Humboldt Bay to the Port of Oakland that would establish an container barge service between the 2 ports. The establishment of this service will lessen road congestion, air pollution and will assist a California business to remain competitive on the world-wide market.

With these underutilized assets at the Port of Humboldt Bay, we respectfully request that any and all statewide goods movement strategies include the utilization of the Port of Humboldt Bay; and that maritime and other port-related infrastructure improvements be funded as a high priority.

Thank you.

1354-S

Additional copies of this publication may be purchased for \$4.75 per copy
(includes shipping and handling) **plus current California sales tax.**

Senate Publications & Flags

1020 N Street, Room B-53
Sacramento, CA 95814
(916) 651-1538

Make checks payable to **Senate Rules Committee**. Credit cards not accepted.
Please include stock # **1354-S** when ordering.