

*Written Testimony*

*of*

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*on*

***Confronting Freight Challenges in Southern California***

*at*

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*The Honorable Peter DeFazio*

*Chairman*

*&*

*Railroads, Pipelines, and Hazardous Materials*

*The Honorable Corrine Brown*

*Chairman*

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## **I. Executive Summary**

Under the leadership of Los Angeles Mayor Antonio Villaraigosa and our Board of Harbor Commissioners, the Port of Los Angeles has been confronting freight challenges and implementing bold measures to meet these challenges. It is important always to remember that what we are confronting here in the Southern California Region is *America's* freight challenges. We have made positive strides recently in confronting freight challenges in Southern California and seeking solutions at the local and regional level:

1. **We are working together as a region now more than ever before:** Whether pursuing federal stimulus funding, cleaning our environment, or implementing a regional cargo fee to support trade corridor infrastructure, we are working together, collaboratively, as a region.
2. **We are making progress – growing and growing green:** Our environmental initiatives are already having a significant impact:
  - We produced the same emissions in 2005 that we did in 2000 despite a 40% increase in cargo; and comparing our air emissions inventory in 2007 to 2006, despite only a one percent decrease in cargo, we saw a 34-percent decrease in Sulfur Oxide (SOx) emissions, a nine-percent decrease in Nitrogen Oxide (NOx) emissions, and a 20-percent decrease in Diesel Particulate Matter (DPM) emissions. Year over year greenhouse gas emission levels also dropped between eight and eleven percent in 2007.
  - With the October 1, 2008 ban of pre 1990 trucks at the Ports, we removed 350 tons of emissions from the air.
  - Now, with the Federal Maritime Commission finally allowing the Clean Truck Fee to proceed, we will be able to continue to fund our Clean Truck Incentive Program, which with local Port of Los Angeles funding has already put replaced approximately 1,600 more dirty diesel trucks with 2007 EPA compliant trucks.

We are making progress on infrastructure as well:

- We approved three Environmental Impact Reports in 2008 after a period of more than seven years when no EIR's were approved.
- We successfully developed and adopted a local Infrastructure Cargo Fee (ICF) to fund projects in the port area.
- We are now making progress in developing and implementing a regional ICF to fund freight projects in the region. We did not proceed with the regional Infrastructure Cargo Fee last year in deference to the efforts of California State Senator Alan Lowenthal. His bill was vetoed last fall for the third time by the Governor. We have thus renewed our efforts to develop a regional fee at the local level.

Nevertheless, there remain significant challenges to overcome, and it is in these areas that we hope the House Transportation and Infrastructure Committee, the full Congress and new Administration can continue to demonstrate leadership in making strategic federal investments to support the Southern California Trade Corridor system and the local and regional solutions we are already implementing:

1. **We need more funding:** California contributed to its ports with the passage of Proposition 1B in 2006, providing funding for port and trade corridor transportation, air quality, and security infrastructure, but the state budget crisis has stalled all of that funding and threatens it permanently. Even with state Proposition 1B funding and now the American Recovery & Reinvestment Act of 2009, there is still not adequate federal funding for infrastructure and environmental initiatives. Authorization by Congress of the next federal surface transportation bill must address the continued, urgent, and long-term funding needs, making sure that ports and trade corridors have dedicated and significant funding sources, especially nationally significant trade corridors like the Ports of Los Angeles and Long Beach and their regional partners.
2. **We need revamped freight policy:** To achieve the federal support needed by our Port, there must be a dedicated national freight program and greater integration of transportation, trade, and environmental policy. The new program, policy integration, and funding all must be part of the next surface transportation act authorization.

## **II. Background & Overview of the San Pedro Bay Ports**

The Ports of Los Angeles and Long Beach – which we refer to as the San Pedro Bay Port Complex – are the #1 and #2 busiest container seaports in the United States, respectively, and combined make the fifth busiest port complex in the world. Nearly 45% of the nation's imported containerized cargo comes through our Ports. We handle more than \$260 billion a year in trade throughout California and the nation. In the Southern California region, goods movement industries connected to our Ports provide a half a million jobs and produce billions in state and local tax revenues. Our publication, *"America's Gateway: A National Goods Movement Corridor Economic Impact Study,"* has been distributed to every member of the Transportation and Infrastructure Committee. This Study demonstrates the significant economic impact that the Ports of Los Angeles and Long Beach have on every state in the Union. On a national basis, our Ports generate more than 3.5 million jobs and impacts at least one business in every congressional district in the U.S. that either imports or exports goods through our Port Complex.

Given the nation's current economic conditions, our trade volumes are down; however, overall international trade through our Ports has grown by roughly seven percent per year. Currently, the two Ports handle 15.8 million TEU's of cargo. The unconstrained market demand forecast projects we will handle close to 60 million TEUs by 2030. However, current capacity estimates for the year 2030 are closer to 40 million TEU's. These figures

are important because close to half of the containers that move through our two Ports have origins or destinations east of the Rocky Mountains. This growth trajectory creates tremendous challenges for our Port Complex and its infrastructure.

### **III. Update on Collaborative Regional Efforts to Grow and Grow Green**

We have submitted testimony previously (August 4, 2008) to your colleagues on the House Committee on Transportation & Infrastructure Subcommittee on the Coast Guard and Maritime Transportation discussing primarily our environmental initiatives. This testimony will provide an update on our environmental initiatives and discuss our infrastructure funding efforts as well:

**Clean Air Action Plan (CAAP):** The overall goal of the CAAP, which was enacted in 2006, was to cut emissions in half by 2012. The Ports have made significant progress toward this goal:

- **Clean Truck Program:** On October 1, 2008, the Port of Los Angeles and Port of Long Beach launched the most ambitious air-pollution cleanup in the nation – the landmark Clean Truck Program (CTP). The immediate effect was a successful ban from the Ports of 2,000 dirty-diesel trucks built before 1989, removing substantial amounts of harmful NOx and PM emissions from the air, 350 tons of emissions in total. When fully implemented in 2012, the CTP will reduce harmful truck emissions by 80% by taking over 50,000 dirty-diesel trucks off the road. Despite fears that CTP would adversely affect the drayage market, the program already includes 609 approved agreements with licensed motor carriers (LMCs). Over 29,000 trucks have paid the registration fee or submitted complete information for listing in the registry, and another 39,640 trucks have started the process to gain approval as a LMC (as of 1/8/09). With the recent action by the Federal Maritime Commission (FMC) acknowledging that the Ports can proceed with our program, we will begin collecting the Clean Truck Fee this week to provide incentives to Licensed Motor Carriers to clean up their fleets ahead of the next ban, which takes effect on January 1, 2010, banning all pre 1994 trucks. The goal is to have a sustainable truck fleet of 2007 U.S. EPA compliant trucks by January 1, 2012.
- **Low Sulfur Fuel Incentive Program:** The Ports have also begun providing local funding to pay for the cost differential between low sulfur fuel and bunker fuel to be utilized by all marine vessels within 40 miles of shore.
- **Alternative Maritime Power (AMP):** The vision is to have all of our berths capable of allowing for shore-side production of electrical power or Alternative Maritime Power (AMP; also referred to as “cold-ironing”). In 2004, the Port of Los Angeles had the first berth in the world with AMP power, and at least two more should come on line this year. The total cost of providing AMP at all of our berths would be \$100 million, and we are planning to pursue federal funding for these efforts.

- **Technology Advancement Program (TAP):** The goal of the TAP is to fund the advanced technology needed to achieve our environmental goals. The benefits of this entrepreneurial strategy have already been significant:
  - o We have the cleanest short-line rail line in the world.
  - o We have produced the world's first hybrid tug boat.
  - o We have funded the development of the first electric drayage truck manufacturer, who is producing its trucks in the Los Angeles area and therefore also contributing to the revitalization of America's manufacturing jobs base.
- **Future Initiatives:** Looking ahead, the Port continues to seek additional ways to achieve our environmental goals:
  - o **Clean Tech Development Center:** Building on the success of the TAP, we are working with our local and regional chambers of commerce and labor partners to develop a center to assist in the development and expansion of clean tech companies that will deliver good, "green-collar" jobs while also addressing fundamental port challenges.
  - o **Greenhouse Gas Emission Plan:** The Port of Los Angeles will be releasing a Greenhouse Gas Emissions Plan later this year. The first plan of its kind for any port in the world, it will set out how we will continue to move forward on greening the port to meet California's AB 32 guidelines, which the Obama Administration may make the nation's guidelines.
  - o **Rail:** We have focused extensively on trucks and marine vessels. One of the next transportation modes that we plan to examine closely and see how we can "green" will be rail. Already, in 2007 we worked with our local rail partner and commissioned the first of a new fleet of "Tier 2" clean diesel locomotives, which produce 70% less diesel particulates and 46% less NOx.

Regarding infrastructure, the Port of Los Angeles in partnership with the region has made the following progress:

- **The Port of Los Angeles approved three EIR's in 2008 and plans to move these projects forward to development in 2009:** Last year we were able to bring three major EIR's to the Board for approval and this year plan to move forward with these significant infrastructure projects. These projects directly contribute to the economy of the entire region; though they also of course heighten the need for investment in our supporting infrastructure, a subject on which we have also been making progress.
- **Local & Regional Infrastructure Cargo Fee (ICF):** In response to the fact that many of our projects were not yet ready-to-go and the sudden and extreme downturn in the economy, the Port of Los Angeles postponed until July 1, 2009 and reduced the dollar value of the local ICF that was set to begin on January 1, 2009. Nevertheless, the Port

continues to move the local ICF forward and is now looking once again at the regional ICF to help fund railroad crossings and other vital infrastructure projects throughout the Alameda Corridor and Alameda Corridor East.

- **State and Federal Funding:** Last year the Southern California Consensus Working Group leveraged local funding resources to secure the programming by the California Transportation Commission of new State bond revenues from the Trade Corridor Improvement Fund, totaling \$1.6 billion. While significant, this action by the State is only a downpayment on meeting our goods movement needs in Southern California. On the federal front, the final economic stimulus package also contains several potential sources of funding which we hope to tap into as a region. Though given the fact that the stimulus could only allocate additional funding to pre-existing programs, and the fact that our pre-existing federal programs do not look at nationally significant trade corridors in a comprehensive, multi-jurisdictional way.

#### **IV. Congressional Actions to Support Increased Federal Investments Supporting the Southern California Gateway and Trade Corridor System**

To support the local and regional efforts of the Port of Los Angeles, Port of Long Beach, and our regional partners throughout Southern California and the nation, we would recommend that Congress take bold action. We can and have provided a list of important projects which are representative of the type of projects that we think Congress should be prioritizing. In addition to focusing on projects, we need to focus on policy principles and programs. With regards to freight and trade corridor funding in the next authorization of the surface transportation act, we support the efforts of our association partners such as the American Association of Port Authorities (AAPA), the American Association of State Highway and Transportation Officials (AASHTO), and the Coalition for America's Gateways and Trade Corridors (CAGTC), as well as our Southern California regional partners, and recommend the following principles be considered in the next surface transportation reauthorization:

1. **Establish a national vision with long-term planning:** For nationally important trade corridors, it is essential that we have a national vision and corresponding organizational changes and funding levels, including reestablishing a national multimodal freight directorship within the Office of the Secretary.
2. **Integrate freight infrastructure policy with national trade policy as well as environmental policy to target reductions of emissions and greenhouse gases and expedite nationally important projects:** The U.S. Department of Transportation should establish coordination protocols with the U.S. Environmental Protection Agency and U.S. Department of Energy to ensure simultaneous and continuous investments in freight related infrastructure and environmental programs targeted to reducing emissions from containerized ships, railroad engines, and trucks. A major focus must

be on the promotion of zero emission container movement technologies. The added benefit of this coordination could lead to expedited environmental approval and development of nationally important projects like those around our Port. Similarly, while U.S. policies promote international trade, they also create an “unfunded trade mandate” for gateway regions such as our Ports, which should be addressed with additional funding and planning in the development of trade agreements.

3. **Institute fundamental changes to existing federal transportation planning and funding systems:** We should consolidate the existing 108 federal programs into 10 multimodal and strategic programs, and utilize performance/merit-based project selection to maximize the return on federal dollars in these tough economic times.
4. **Implement a new federal funding account dedicated to the investment in freight related infrastructure, with priority allocations to projects of national significance:** The new program should select projects through merit-based criteria that identify and prioritize projects with a demonstrable contribution to national freight efficiency. Priority funding allocations should be directed to projects of national significance and projects sponsors who have instituted local user fee based systems such as local and/or regional cargo fees. If Congress decides to make cargo fees part of the next authorization, the fees must be applied to all trade gateways, be returned to the gateways where collected as much as possible, and not disadvantage or be redundant of any local or regional fees self-help regions have already enacted.
5. **Increase funding for Section 1301, Projects of National & Regional Significance (PNRS), focusing on already identified projects and new nationally important mega-projects:** Several components of the Southern California trade corridor are identified within the PNRS program: I-710 corridor, the Gerald Desmond Bridge, and the Alameda Corridor East. Funding for these projects of regional and national significance must be increased in the next authorization.

On the environmental front, we recommend that Congress increase funding as much as possible for programs that will support efforts to green the freight industry. Specifically, we recommend increased funding for the Diesel Emissions Reduction Act (DERA) and for transportation electrification programs such as those enacted in last year’s Energy Independence Act and funded in the stimulus.

It is also essential that Congress continue to support the efforts of the Ports of Los Angeles and Long Beach and their respective cities in their dealings with the Federal Maritime Commission (FMC). The Ports and their cities and regional partners such as the South Coast Air Quality Management District deliberated extensively on the development of the Clean Trucks Program to achieve specific environmental objectives. The current FMC has sought at every turn to obstruct the implementation of the CTP, potentially jeopardizing a program that is an essential environmental initiative and a central component of every EIR

that has recently been approved or is in process at the port for vital infrastructure projects.

We also recommend Congress enact and fund new initiatives such as the Green Port Initiative first considered two years ago. HR 2701 (2007), which passed the House as the Transportation, Energy Security and Climate Change Mitigation Act of 2007, contained Section 404, the “Green Port Initiative”:

“The Secretary of Transportation shall develop and implement a green port initiative to promote the use of technologies in United States ports and shipyards to reduce air emissions including particulate matter, nitrogen oxides, sulfur oxides, and carbon monoxides. The program may include:

- (A) Use of electric and low-emission vehicles for cargo handling equipment;
- (B) Use of electric shore power and low pollution auxiliary engines for vessels in port;
- (C) Use of energy efficient lighting and other electrical products in ports;
- (D) Use of best management practices to decrease emissions;
- (E) Use of technology and best management practices to prevent pollution of the waters in ports;
- (F) Use of other energy efficient or low emission technologies that the Secretary considers necessary.”

Enactment of this initiative would be an ideal way to fund the numerous and necessary environmental initiatives at the Port of Los Angeles.

**Conclusion:**

Southern California is America’s trade corridor. Even with the recent economic crisis, trends suggest that the Ports of Los Angeles and Long Beach will continue to be the most important trade gateway for the country for decades to come. Being America’s number one trade corridor means significant challenges for the region’s environment and infrastructure. While the Ports and their regional partners have made significant strides in dealing with these challenges, the federal government must increase funding and policy support for the Southern California trade corridor to keep American competitive.