

Testimony of Michael K. Fox
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Panel on 21st Century Freight Transportation
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Chairman Shuster, Ranking Member Rahall, Members of the Committee, I am Michael Fox, chief executive officer of Fox Transportation, a family-owned and operated business founded by my father as an intermodal drayage company in 1986.

Thank you for the opportunity to appear before the committee. It is a high honor to address the committee and share my views on freight movement in the 21st century. I am especially grateful to Rep. Gary Miller who I came to know when he represented north Orange County, where I live, and who now represents the 31st congressional district, where my business is located. Mr. Miller is a powerful advocate for small businesses and individual constituents in Southern California, and I am honored to call him a friend.

Shortly after my father went into business for himself, he suddenly became ill and could no longer operate the company. I left my job as a marketing executive for the Los Angeles Dodgers and my mother, MaryAnne, left hers as an executive with a local manufacturing company, and we devoted ourselves to learning everything there was to know about operating a trucking business and being successful along the way. Over the past 25 years, we have benefited greatly from the generosity of countless friends, colleagues and even competitors who helped along the way as my mother and I worked tirelessly to pursue Dad's dream.

Today, I am proud to say, Fox Transportation operates in 12 states, making eight million deliveries a year to hospitals, pharmacies, retail locations and distribution centers. Pioneers in the use of clean truck technology, our harbor operations have been recognized by the ports of Los Angeles and Long Beach for our efforts to reduce diesel emissions and improve air quality in Southern California.

It is appropriate that the Panel on 21st Century Freight Transportation should conduct a hearing in the City of San Bernardino in the heart of the Inland Empire (IE), the area east of downtown Los Angeles which encompasses Riverside and San Bernardino counties and is home to many of the warehouses and distribution facilities that receive much of the freight imported through the ports of Los Angeles and Long Beach.

With most of Southern California's 1.7 billion square feet of warehouse and distribution capacity in the IE, the area is a focal point in the region's transportation system and the U.S. supply chain.

As committee members are aware, the ports of Los Angeles and Long Beach, known collectively as the San Pedro Bay (SPB) ports, make up the largest seaport complex in the U.S., handling 40 percent of the nation's ocean freight. Together, they represent the fifth largest port complex in the world.

The maritime industry largely considers the SPB neighbors, with their 13 marine terminals, as a single port and in many respects they operate as one, though both are governed by their respective harbor commissions. Many steamship lines, for example, maintain vessel sharing agreements which provide them access to docks in both ports.

Likewise, some 9,000 drayage truck operators are authorized to move cargo containers throughout the harbor complex, moving 20,000 imported containers per day, approximately half of which are destined for IE distribution points.

While cargo traffic fell at the SPB ports as a result of the global recession, volumes are again on the rise as the national economy continues to recover. Port officials estimate that cargo traffic through the SPB complex will reach 15 million twenty-foot equivalent units (TEU) in 2013, a record high first set in 2006.

It is important to note that as a result of the economy and stricter port regulations on drivers authorized to access marine terminals, there are half as many drayage truck operators in the SPB ports today as there were in 2006. The driver shortage is magnified by two key issues which limit driver productivity and impact the flow of cargo to inland distribution points:

- The lack of five consecutive night gates at marine terminals; and
- Non-wheeled terminal operations.

Today, port truckers are forced to endure long waits – up to three hours – to enter port terminals, locate a chassis and pick-up a cargo container. In fact, drivers could plan on three round-trips per shift between the harbor complex and the IE as recently as 2006. In 2013, however, drivers are fortunate to make two round-trips given the long delays in the port complex.

Expanding access to the ports to reduce wait times has been a particular concern to harbor truckers since the creation of PierPASS in 2005, an initiative created by marine terminal operators to reduce congestion by imposing fees on cargo moves through the ports during peak daytime hours. The fee, which is charged to cargo owners, is currently \$120 per container.

Such an incentive to move cargo during off-peak evening and overnight hours produces significant savings for cargo owners. A major shipper which imports 50,000 containers a year, for example, saves \$6 million.

With assurances from PierPASS officials that marine terminals would operate five nights per week, typically from 6 p.m. to 2 a.m., cargo owners directed their drayage vendors to pick-up their cargo from port terminals during off-peak hours.

While terminal gates remain open during daytime hours Monday through Friday, terminals have generally operated just four night gates per week, Monday through Thursday. The result has been increased congestion in and around the ports during evening hours, causing long waits for drivers.

Moreover, terminal operators fail to adequately staff night operations, and most do not provide service during breaks and meal periods.

Occasionally, some marine terminal operators offer Saturday hours without charging the \$120 per container PierPASS fee. Skeleton staffing and the physical demands placed on drivers, most of whom are accustomed to working nights and prefer to rest on weekends, make Saturday gates unproductive to say the least.

Further complicating the flow of cargo is the move by terminal operators to non-wheeled operations whereby containers are stacked on terminal docks as they are off-loaded from cargo ships rather than being immediately placed on chassis for awaiting drayage trucks.

In 2006 when the SPB ports were experiencing record cargo volumes, containers were off-loaded directly onto chassis, the wheeled frames that are attached to the truck and support cargo containers.

Today, with increasingly larger ships carrying more containers – more than 10,000 TEU per vessel – and limited dock space, cargo is stacked several containers high and left to await the arrival of drayage trucks which are too-often delayed in long wait lines. Forthcoming Triple-E class vessels will have capacity up to 18,000 TEU and place even greater stress on terminal operations.

Once inside a marine terminal's gates, a drayage truck driver must first locate a chassis elsewhere in the port complex and then wait in line as his container is located and loaded onto his chassis before proceeding through the terminal exit process.

Driver turn times – the time spent inside a marine terminal to locate a chassis, pick-up a loaded container and complete the terminal exit process – average two hours today. In 2005 at the inception of PierPASS, driver turn times were generally under one hour with sufficient staffing levels to provide service throughout each shift, including meal and break periods.

To be clear, the issue is not labor. The lack of five consecutive night gates and the move away from wheeled operations are.

The inadequacies and inefficiencies in terminal operations are the result, I believe, of the budgetary decisions made by terminal operators and the steamship lines that support them. Nonetheless, their impact is felt most acutely by drayage truck drivers.

The plight of harbor drivers may not sound like an issue of concern for this panel and other Members of Congress. But drivers play a key in the supply chain and their work is critical to the efficient movement of freight regionally and nationally.

Expanding night gates at the harbor's 13 marine terminals to five consecutive nights Sunday through Thursday will offer a more practical and efficient approach to manage cargo flows, allowing drivers to rest each Friday, Saturday and much of Sunday.

With most cargo vessels arriving at SPB docks between Wednesday and Friday, with two days needed to unload, refreshed drivers could begin their work week on Sunday evening after cargo has been off-loaded over the weekend. Since traffic volumes on local freeways are generally lighter on Sunday evenings, drivers would likely experience fewer delays after leaving the harbor

complex. Moreover, containers will begin to reach local warehouses and distribution centers by Monday morning, which will better serve the needs of cargo owners, given their staffing levels and local delivery schedules.

Under the five-night approach, terminal operators could eliminate Saturday gates entirely. The trucking industry has made attempts to utilize Saturday gates however short staffing and lack of available cargo made weekend pick-ups unproductive, not to mention physically challenging for drivers who prefer to work nights.

At the same time, terminal operators should return to wheel-based operations, placing cargo containers directly on chassis for waiting drivers. While terminals have encountered space limitations as cargo volumes have recovered, it is worth noting that the ports are investing \$6 billion to expand and improve their facilities including build-outs into the harbor, essentially creating more coastal land.

Additional dock space would, in that case, reduce driver turn times and expedite the flow of cargo to local warehouses and distribution points.

With anticipated growth in cargo volumes in the next three to five years, I am confident that these changes can be made quickly and cost efficiently, particularly the five consecutive night gate schedule.

The solution, as some may propose, is not the expansion of local freeways. Such projects are costly and time consuming. A proposed 18-mile expansion of Interstate 710 from Los Angeles to the Port of Long Beach, for example, has an estimated cost of \$6 billion, according to the Natural Resources Defense Council. A cost of \$330 million per mile.

Nor is the answer to simply send more trucks into the harbor complex. Until the operational and space issues are resolved within the 13 marine terminals, adding to the 9,000 harbor trucks already in service will only create more congestion in the ports, further reducing driver productivity.

The long-term solution, in my view, is the creation of an Inland Port located in the IE which would be served by shuttle trains directly from the seaport complex. An inland provide, I believe, would provide tangible environmental and economic benefits.

One daily shuttle train, for example, could take 250 trucks off local freeways and as cargo volumes grow in coming years, additional trains could be added, taking 1,000 or more port trucks off roads between the harbor and the IE. The reduction in truck traffic on local freeways would further reduce diesel emissions and help to improve air quality in surrounding communities.

Ultimately, the shuttle trains to the IE would help to reduce congestion within the port complex and expedite goods movement throughout the supply chain.

Stakeholders including port authorities, steamship lines, marine terminal operators, longshore workers, clerical workers, equipment owners and harbor truckers have expressed their desire to work together to address these challenges. The solutions proposed here offer near and long-term benefits for all stakeholders.

The solutions may not be new ideas, yet the need for them has never been greater.

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