



Date: May 22, 2007
To: Honorable Mayor and City Council
From: Councilmember Suja Lowenthal, Chair, Tidelands and Harbor Committee
Subject: **PORTS OF LONG BEACH AND LOS ANGELES PROPOSED CLEAN TRUCKS PROGRAM**

The Tidelands and Harbor Committee, at its meeting held May 8, 2007 considered communications relative to the above subject.

It is the recommendation of the Committee to the City Council that the communications be received and the City Attorney requested to draft a resolution in support of the Ports proposal.

Respectfully submitted,

TIDELANDS AND HARBOR COMMITTEE

Councilmember Suja Lowenthal, Chair

Prepared by:
Jan Davey

Unanimous vote
Absent: Delong

File Reference No.: 07-0343



San Pedro Bay Ports Clean Air Action Plan

PROPOSED CLEAN TRUCKS PROGRAM FACT SHEET

- Replace (or retrofit in specific instances) 16,000 harbor trucks in five years
- Use port tariff to limit access to terminal facilities
- Starting January 1, 2008, allow only licensed "clean" truck concessions access to terminals without paying new Truck Impact Fee
- Clean Truck Fees:
 - License fee charged to obtain trucking company concession
 - Truck Impact Fees charged older, non-"clean" trucks on all terminal gate entries to fund Clean Trucks Program
- Trucking concession requirements:
 - Concession truck drivers
 - Require employee drivers (after a transition period)
 - For transition period, allows both employee drivers and owner operators under contract
 - Preference for existing harbor owner/operators drivers
 - Concessions fleet size
 - Minimum 50 trucks to start
 - Minimum raised over time for manageable total number
 - Number of Port Trucking Concessions
 - No limit to number of concessionaires (that meet minimum requirements) to start
 - Will limit concessions to a manageable number to assure competition, adequate coverage, level playing field

- Concession trucking fleet:
 - Meet CAAP "clean truck" standard
 - Diesel trucks manufactured in 2007 or newer
 - Retrofitted trucks manufactured in 1994 to 2006
 - Gateway Cities trucks
- Ban older trucks from port terminals
 - Eliminate Pre-1989 Trucks by 1/1/08
 - Eliminate Pre-1993 Trucks by 1/1/09
 - Newer models follow each year
- Concession truck replacement and retrofit program
 - Trucks funded under program will be owned by concessionaire
 - Trucks funded under program must stay in port service
 - Concessionaire must find truck in existing port service to turn in for replacement or retrofit grant subsidy
 - Truck owner paid for old truck
 - Old trucks scrapped
 - All trucks in Clean Truck Program issued Radio Frequency Identification (RFID) tag for tracking
- Clean Truck Replacement and Retrofit Grants
 - Grants awarded only to licensed concessionaires
 - Awards amount based on miles driven, frequency of port calls
- Engage third party to administer Clean Trucks Program
- Maintenance and Training
 - Approved concessionaire maintenance and training program
- Workforce Development
 - Concessionaire required to participate in City workforce development initiatives
- Security
 - Concessionaire must certify that drivers adhere to national and local security standards



San Pedro Bay Ports Clean Air Action Plan

Ports of Long Beach and Los Angeles Proposed Clean Trucks Program

Background

The San Pedro Bay ports of Los Angeles and Long Beach (ports), with the participation and cooperation of the staff of the U.S. Environmental Protection Agency, California Air Resources Board and South Coast Air Quality Management District, have developed an aggressive, comprehensive strategy to reduce port-related emissions by at least 45% over the next five years.

The Clean Air Action Plan (CAAP) addresses every category of port-related emissions sources – ships, trucks, trains, cargo-handling equipment and harbor craft – and outlines specific strategies to reduce emissions from each category. A model for seaports around the world, the CAAP is the boldest air quality initiative by any seaport or non-regulatory agency, consisting of wide-reaching mitigation measures and incentive programs to significantly reduce air emissions and health risks while allowing for the development of much-needed port efficiency projects.

Clean Trucks Program Overview

The Clean Trucks Program represents the first major initiative under the Clean Air Action Plan. The staffs of the ports of Long Beach and Los Angeles are jointly developing a proposed Clean Trucks Program that will cut air pollution from harbor trucks by more than 80 percent within five years. Under the unprecedented program, drayage truck owners will scrap and replace the oldest of approximately 16,000 trucks working in the ports, and retrofit the others, with the assistance of a port-sponsored grant subsidy.

Beginning in 2008, the ports will use their tariff authority to only allow concessionaires operating "clean" trucks to enter port terminals without having to pay a new Truck Impact Fee at the gate. The concession trucking companies will be required to use only trucks that meet the ports' Clean Air Action Plan

(CAAP) standard, which is defined as EPA-standard 2007 or newer trucks, retrofitted trucks manufactured in 1994 or newer, or trucks that have been replaced through the Gateway Cities Truck Modernization Program. Year by year, the oldest trucks will be barred from the ports until only trucks meeting the CAAP standard will be permitted to work in the ports. The 2007 and newer trucks are 90 percent cleaner than older trucks. Licensed Motor Carriers will be required to pay a nominal license fee to obtain a concession, and after a transition period, must directly own, operate and maintain their truck fleet and employ drivers to deliver drayage services.

While older, un-retrofitted trucks continue to work in the ports during the transition period, they will be required to pay a Truck Impact Fee each time they enter a terminal gate. The amount of the fee is being determined, but is likely to be approximately \$34 for each inbound container terminal gate move of any type, which includes truck tractor only, tractors with a bare chassis, tractors with empty containers, and tractors with loaded containers. Commensurate fees also will be assessed on older, un-retrofitted trucks entering non-container terminals, but the amount of the fees has yet to be determined.

The Truck Impact Fee, port operating funds, and potentially State Proposition 1B bond funds will provide the ports with up to \$1.8 billion to subsidize the purchase of new and retrofitted trucks by the concession trucking companies.

Modernizing the heavily polluting trucks serving the ports of Long Beach and Los Angeles is among the ports' most daunting challenges. Under ordinary use, a truck can be operated for many decades. Harbor trucks are currently a significant source of air pollution, accounting for 23 percent of the port-related diesel particulate matter and 34 percent of the nitrogen oxides (NOx), which contribute to poor air quality and increased health risks.

Question & Answers

1) Under the staff proposal, how are you going to pay for the Clean Trucks Program?

The Clean Trucks Program will be funded by several sources. The ports of Long Beach and Los Angeles have allocated \$166 million for the first five years of the Clean Air Action Plan. The South Coast Air Quality Management District has made an initial commitment of \$36 million for the truck program. The third potential source of funds is the State Proposition 1B bond funds approved by voters in November 2006. The ports will be seeking their fair share in available bond funding from the Air Quality Emissions Reduction funds available under Proposition 1B. The final funding source will be a Truck Impact Fee to be collected for every inbound-gate move. Based on preliminary assumptions, if the

ports receive 40% (\$400 million) in Air Quality Emissions Reduction funds under Proposition 1B, the ports would need to collect an estimated \$34 Truck Impact Fee. If less bond funding is made available to the ports or if the older trucks are replaced faster than expected, the Truck Impact Fee could be as much as \$54 per inbound-gate move.

2) What is the relationship between the Truck Impact Fee and Infrastructure Fee?

They are separate fees. The Truck Impact Fee, an estimated \$34 to \$54 per inbound-gate move, would help to fund the \$1.8 billion truck replacement and retrofit program. It will constitute the private match of funds in order to obtain a share of the \$1 billion Proposition 1B funds for air quality improvement projects to be administered by the California Air Resources Board.

Separately, the ports are proposing an Infrastructure and Environmental Cargo Fee (IECF) to raise the matching private funds required in order to obtain a share of Proposition 1B port-related infrastructure funds for high-priority goods movement projects costing \$5.9 billion. This will fund both local and regional projects, including specific rail projects to reduce port truck trips and specific roadway projects to reduce traffic congestion, which in turn reduces emissions.

The IECF would be approximately \$26 for each loaded cargo container (twenty-foot-equivalent unit, TEU) moving through the ports. A similar fee will be assessed on non-container cargo, but has yet to be determined.

Used to fund different programs, the Truck Impact Fee and the IECF will not be co-mingled. The fees will be assessed to different entities in the goods movement chain. The Truck Impact Fee will be charged to the Licensed Motor Carriers (concession trucking companies), not the drivers. The IECF will be charged to the Beneficial Cargo Owner (importer or exporter).

3) Are there other proposals out there for container fees?

Yes, there is State Senate Bill 974 (authored by Sen. Alan Lowenthal, D-Long Beach), which proposes a \$30 fee per twenty-foot equivalent container unit (TEU) handled at the ports of Long Beach, Los Angeles, and Oakland. Half of the amount collected would be used for rail infrastructure (highway infrastructure is specifically omitted, with exception for certain grade separations and truck on-ramp projects), while the other half would be used for environmental mitigation. The California Transportation Commission would be responsible for allocating the rail infrastructure funds, and the California Air Resources Board would allocate the environmental funds. The bill does not identify specific projects.

4) Who pays the Truck Impact Fee? Is it the truck driver?

The Truck Impact Fee will be assessed to the Licensed Motor Carriers (LMCs, or trucking companies), who will be granted a concession, and not the truck drivers. Companies may pass this cost on to their customers (cargo owners, third-party logistics providers, etc.).

5) Why shouldn't the Beneficial Cargo Owner pay the fee?

The Truck Impact Fee will be assessed on every truck move that enters the ports, even those without a cargo load, by charging the fee to the LMCs responsible for the air pollution impact of non-compliant trucks. The fee would encourage trucking firms, ocean carriers, importers, and exporters to use the ports' Virtual Container Yard, an internet matching service for empty containers outside the ports. If the fee were only assessed on the movement of cargo and not chassis, bobtails, and empty containers the ports would not achieve their goal of reducing unproductive moves of empty containers, bare chassis, and bobtails.

6) How long will you collect the Truck Impact Fee?

The Truck Impact Fee will be collected only for the life of the program. Once fleet turnover (estimated to take five years) is completely funded, the ports will stop collecting the Truck Impact Fee.

7) Why should the taxpayer, through bond funds, pay for the Clean Trucks Program? Shouldn't it be the cargo owners?

As mentioned previously in Question 4, the Truck Impact Fee will cover a large portion of the truck program costs, and the fee may be passed on to the cargo owners by the trucking companies. The Clean Trucks Program is an extremely ambitious initiative, and without funding support from Proposition 1B, the ports might not achieve their goals within five years. The bond measure was approved by California voters in 2006, and is intended to fund a portion of the costs for emission-reduction projects such as the Clean Trucks Program.

8) Is there an administrative fee? Who will administer the program?

The ports may engage a third party to collect the Truck Impact Fee. The Truck Impact Fee will include a nominal surcharge to fund the administration of the Clean Trucks Program. At this time, the specific entity (or entities) to administer the truck program has not been selected, but, it is expected that a third-party administrator will be necessary. It is envisioned that this third party will be tasked with fee collection, transferring funds to the truck program account, and monitoring compliance with the truck program. Additionally, it is envisioned that this third party, or an additional third party, would administer the truck replacement and retrofitting of trucks, including but not limited to contracting, scrapping old trucks, and enforcement.

9) What role will the Gateway Cities Council of Governments play in the Clean Trucks Program? Why?

Since 2002, the Gateway Cities Fleet Modernization Program has scrapped 530 old trucks and replaced these with much newer, safer, and cleaner trucks. The role of Gateway Cities in the Clean Trucks Program has not been determined. However, the ports expect to contract with a third-party to administer its new truck program. On an interim basis, in order to move the Clean Air Action Plan forward with early and aggressive action, the ports are ramping up the existing Gateway Cities Truck Replacement Program and aligning the program with the CAAP goals so that truck replacements and retrofits continue prior to the roll-out of the new Clean Trucks Program.

10) Of the trucks placed into service under the existing Gateway Cities program, how many remain in the port drayage business?

Based on Automated Vehicle Locator (AVL, a global positioning device) data and self reporting, about 97 percent of the 530 participants continue to actively participate in the program.

11) How will the Transportation Worker Identification Card (TWIC) affect the Clean Trucks Program?

All participants in any truck program funded under the CAAP will be required to comply with state and federal laws including the TWIC mandates, when fully operational. When the TWIC program becomes operational, only drivers with TWIC cards will be allowed unescorted access to port cargo terminals. The Clean Trucks Program will also include local security mandates.

12) What happens to trucks/operators that were previously acquired through the Gateway Cities program?

CAAP recognizes the value of emissions reduction from the trucks that have been replaced by Gateway Cities. These trucks will be considered compliant with CAAP goals.

13) How do you ensure that port replacement or retrofitted trucks only do port-related drayage?

All trucks replaced or retrofitted by funding through the ports' Clean Trucks Program will be subject to contractual obligations to remain in port service. The ports will use Automated Vehicle Locator (AVL) devices and Radio Frequency Identification (RFID) tags to track compliance.

14) What happens to the trucks that the ports are paying for? Who owns them?

The trucks will be owned by the concessionaire. The ports would be the first lienholder on any truck funded under the program. As first lien holder, a number of options are available to the ports to remedy non-compliance.

15) How long does a truck provided by the ports have to stay in the port drayage business?

Typically, truck replacement programs require that funded trucks remain in service for a minimum period of five years. It is intended that the Clean Trucks Program will include a similar provision. Other fleet modernization programs throughout the state – Carl Moyer, Gateway Cities, and SECAT (Sacramento Emergency Clean Air and Transportation) - have a five year operational requirement based upon cost effectiveness criteria. The ports are considering requiring either a specified period of time or minimum number of miles.

16) What has been the relationship between independent owner/operators and trucking companies?

Under the current drayage trucking system, Licensed Motor Carriers (LMCs) have contracts with the cargo owners for moving the cargo to and from the ports. The LMCs provide dispatch and other logistics coordination services, and contract with independent truckers to perform the drayage services.

17) Why are the ports considering changes to the current drayage system?

The current drayage system has adverse impacts on air quality, vehicle safety, and port terminal security. The ports are making a substantial investment in the Clean Trucks Program, and therefore expect improvements in all three of these impacts. For example, when drivers are paid by the hour, instead of by the trip, the ports expect the market to reduce inefficient truck queuing at the ports, reducing air pollution. Similarly, these drivers will have less incentive to accept unsafe chassis and loads. A stable workforce will improve terminal security. Concessionaires will be responsible for the operation and maintenance of the truck fleet funded by port grants and safety, security training, and compliance of their drivers.

18) What happens to the independent owner/operators if the ports proceed with the proposed concession system under the Clean Trucks Program?

The Licensed Motor Carriers (LMCs) will be encouraged through the concession system to give hiring priority to independent owner/operators currently serving the ports. After a transition period, the LMCs must directly own, maintain and operate the truck fleets and all truck drivers serving the ports must be employed by LMC concessionaires.

19) Who is eligible for grant funding to replace their trucks?

Concessionaires are eligible, and to obtain an award must meet the grant funding program criteria, such as financial qualification and trade-in of a truck that has been performing port drayage service. Concessionaires may hire an independent owner operator as an employee and buy out the interest in the

employee's truck with qualifying port drayage service and be eligible for a grant. Grantees must agree to program terms, such as agreement to use the funded truck in drayage at the ports for a specified period of time or minimum number of miles.

20) What happens if there are not enough drayage trucks to move the cargo (e.g. during peak season)?

The transition to the concession approach will be designed to ensure continuity of drayage service. LMCs will be invited to submit applications for concessions. The ports will then negotiate specific terms with the LMCs. The program will then be phased-in during a transition period. At every step in this flexible process, the ports will be prepared to adapt the program to respond to conditions in the market.

21) How will the ports verify that the trucks that have been retrofitted have been maintained properly and are achieving the air quality benefits claimed?

Through their port contracts, LMC concessionaires will be required to have a truck maintenance plan in place to ensure that the trucks and the retrofit devices are properly maintained. The ports intend to have AVLs and RFID tags installed on all trucks upgraded through the CAAP Clean Trucks Program that will track key parameters to ensure that the trucks are being operated in port service.

22) How will the ports accomplish the replacement of the entire truck drayage fleet in the next five years?

The ports will turnover the existing truck drayage fleet in the next five years through two mechanisms. First, the ports will be using a grant program to encourage concessionaires to replace/retrofit their trucks with clean trucks (both clean diesel and LNG). Second, through establishment of concessions under the Clean Trucks Program, the ports will establish a progressive ban to ensure that by 2012, all trucks serving the ports are clean trucks; this will also provide an incentive for trucks to participate in the grant program prior to their truck being banned. Through these two methods, the ports believe that the drayage truck fleet can be successfully turned over in the next five years.

23) Why not use a less expensive emission reduction strategy that focuses on retrofits rather than a combination of retrofits and replacements?

The South Coast Air Basin is out of compliance with the federal National Ambient Air Quality Standards for ozone and fine particulate matter. In order to reach attainment with the federal standards, significant emissions reductions are needed of both nitrogen oxides (which are precursors to ozone and fine particulates) and particulate matter. Retrofit technology, verified by the California Air Resources Board, exists that can reduce emissions of particulate

matter by 85% and nitrogen oxides by 25%. Unfortunately, this is insufficient to assure that port-related sources achieve sufficient emission reductions to enable the South Coast Air Basin to reach attainment. However, new trucks that meet the 2007 EPA standards can achieve 90%+ reductions of both particulate matter and nitrogen oxides. As a result, the ports are using a blended strategy of new trucks and retrofits to accomplish their emission reduction goals.

24) Is replacing a truck cost-effective?

Yes. Trucks that meet the 2007 EPA standards are over 90% cleaner than the trucks they replace. New 2007 trucks also reduce more emissions than retrofits, particularly nitrogen oxides. As a result of the significant emission reductions and the long life of the new, clean truck, replacement strategies are cost-effective.

25) How long is the transition period?

The transition period of phasing in clean trucks and moving the drivers to employee status is expected to be completed by January 1, 2012.

26) Will non-CAAP standard trucks that only visit the ports once or twice in a lifetime be allowed entry into port terminals after the 5-year transition period?

Only concessionaire trucks will be allowed entry into port terminals, clean or not. After the transition period, non-CAAP standard trucks will be banned from port terminals.

27) How would the Truck Impact Fee affect the cost of goods?

The Truck Impact Fee will add very little to the cost of individual goods shipped in containers. As a simple example, if the ports were to set the Truck Impact Fee at \$34 per gate move, and assuming that the container is loaded with iPod nanos, the fee would add less than 2 cents to the cost of an item that retails for \$199.00. Furthermore, the fee accruing to the LMCs would also distribute the cost to consumers nationally rather than imposing additional inequitable charges on the local market.

CAAP HDV1



**Ports of Long Beach and Los Angeles
Clean Trucks Program**

**Staff Proposal
Program Elements**



CAAP Goal

- **HDV-1 Goal:**

Replace (or retrofit in specific instances) ~16,000 drayage trucks to cut air pollution from port trucks by more than 80% within five years



Implementation


- **Startup**

- Goal is startup on 1/1/08

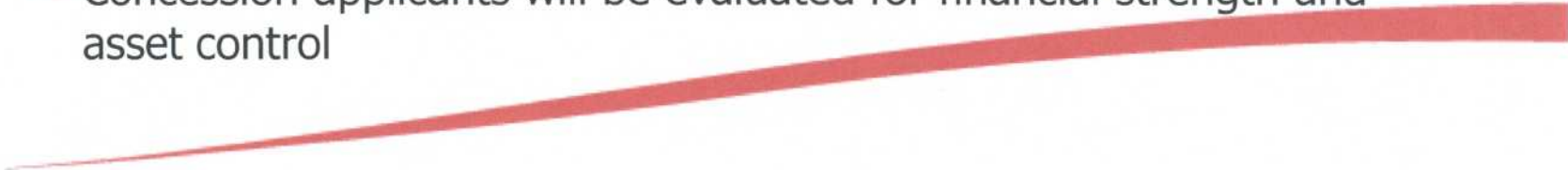
- **Tariff**

- Limits drayage truck access to port terminals to concessionaires under Port contracts
- Sets up impact fee collection schedule
 - Fees fund truck replacement/retrofit grants
 - Paid by Concessionaires (truck fleet owners)

- **Concessions**

- Concession contracts between Ports and licensed motor carriers
 - Concessionaires agree to comply with environmental, safety and security measures
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Proposed Model


- **Concessionaires**
 - No limit on number of concessions
 - Assure competition, adequate coverage, level playing field
 - Required to participate in workforce development programs
 - Must have truck maintenance and safety training programs
 - Must certify that drivers adhere to national and local security standards
 - After transition period, would be required to own truck fleet and be accountable for employee drivers
 - Employment preference to existing IOOs in drayage market
 - **Solicit Applications through RFA process**
 - Concession applicants will be evaluated for financial strength and asset control
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Proposed Model

- **Fees:**

- **License Fee to Ports for the Concession**
- **Impact Fee at Terminal Gates for dirty trucks**
 - Nominal surcharge to fund administration of fee collection
 - Balance to grant program
 - State bond funding would reduce need for higher gate fees

- **Grants:**

- **Grants to concessionaires to fund truck replacements/retrofits**
 - Up to 80% of cost of new vehicle
 - Up to 100% of cost of retrofit device and installation
 - **Sources of Funding**
 - Ports and SCAQMD front-load ~\$200 M
 - State bond funding
 - Impact fees to fund rest of program
 - **Award Amounts Scaled Based on Port Service**
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Proposed Model

- **Trucks:**

- **Replace or retrofit**

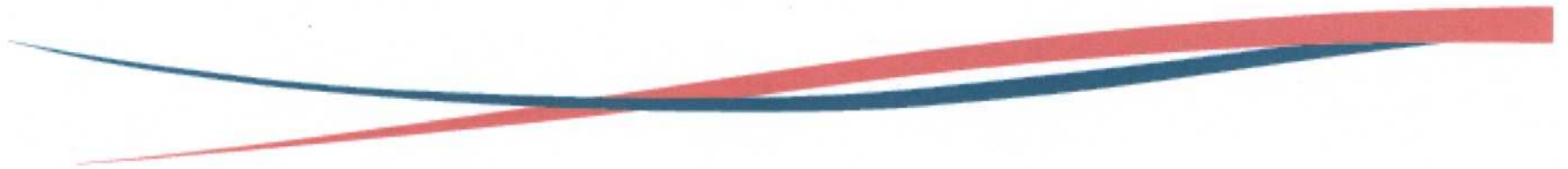
- Only certain years qualify for retrofits
 - Retrofits must be CARB verified level three device
 - Remainder of fleet must be replaced
 - Replacement is 2007 EPA-standard on-road truck



Proposed Model

- **Progressive Ban Milestones**

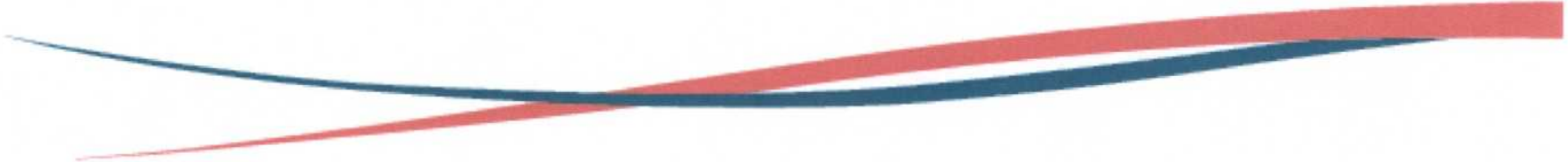
- Ban pre-1989 trucks from port service by 1/1/08
- Ban 1989-1993 trucks from port service by 1/1/09
- Ban unretrofitted 1994-1998 trucks from port service by 1/1/10
- Ban unretrofitted 1999-2003 trucks from port service by 1/1/11
- Ban unretrofitted 2004-2006 trucks from port service by 1/1/12



Proposed Model

- **Impact to Current Truck Fleet:**

Implementation Date			
	Truck MYs	Total No. Of Trucks Affected	Percentage of Trucks Affected
January 1, 2008	MY Pre-1988	2267	14%
January 1, 2009	MY 1988-1993	5337	33%
January 1, 2010	MY 1994-1998	7112	43%
January 1, 2011	MY 1999-2003	1422	9%
January 1, 2012	MY 2004-2006	248	2%
	TOTAL	16386	100%



Proposed Model

- **Trucks:**

- Trucks funded under program would be owned by concessionaire with Ports as primary lienholder
- Concessionaire procures old truck in port service to turn in
- Old trucks scrapped
 - Owner paid for old truck
- New truck must stay in port service for specified period of time or number of miles
- Trucks issued RFID and AVL for compliance tracking



Upcoming Actions

- **Conduct Stakeholder Meetings May 11 & 23, 2007**
- **Program Details to BHC end of Q2 2007 for approval**
- **Release RFA for Concessions early Q3 2007**
- **Tariff Modifications to BHC Q3 2007**
- **Concessions negotiated Q3/Q4 2007**

