

Responding to Increasing Port- Related Freight Volumes: Lessons Learned

OECD/ITF Research Roundtable

Seaport Competition and Hinterland Connections

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Introduction

- Ports, trade and the regulatory environment
- Forces of change: growth in port-related trade and its impacts
- The Los Angeles region
 - Responses:
 - AB 2650
 - PierPass
 - Explaining outcomes
- Conclusions

The Regulatory Environment

- Favored status of ports, int'l trade interests
 - Engines of economic development
 - Ports as quasi-public authorities
- Globalization
 - Trade as function of global market dynamics
- Regulatory authority
 - Federal role – facilitate competition
 - Interstate commerce exempt from state, local regulations
 - Non-US carriers exempt from US regulation

Forces of change

- Rapid growth of international trade
- Local vs dispersed economic benefits
- Localized consequences
 - Traffic congestion
 - Air pollution

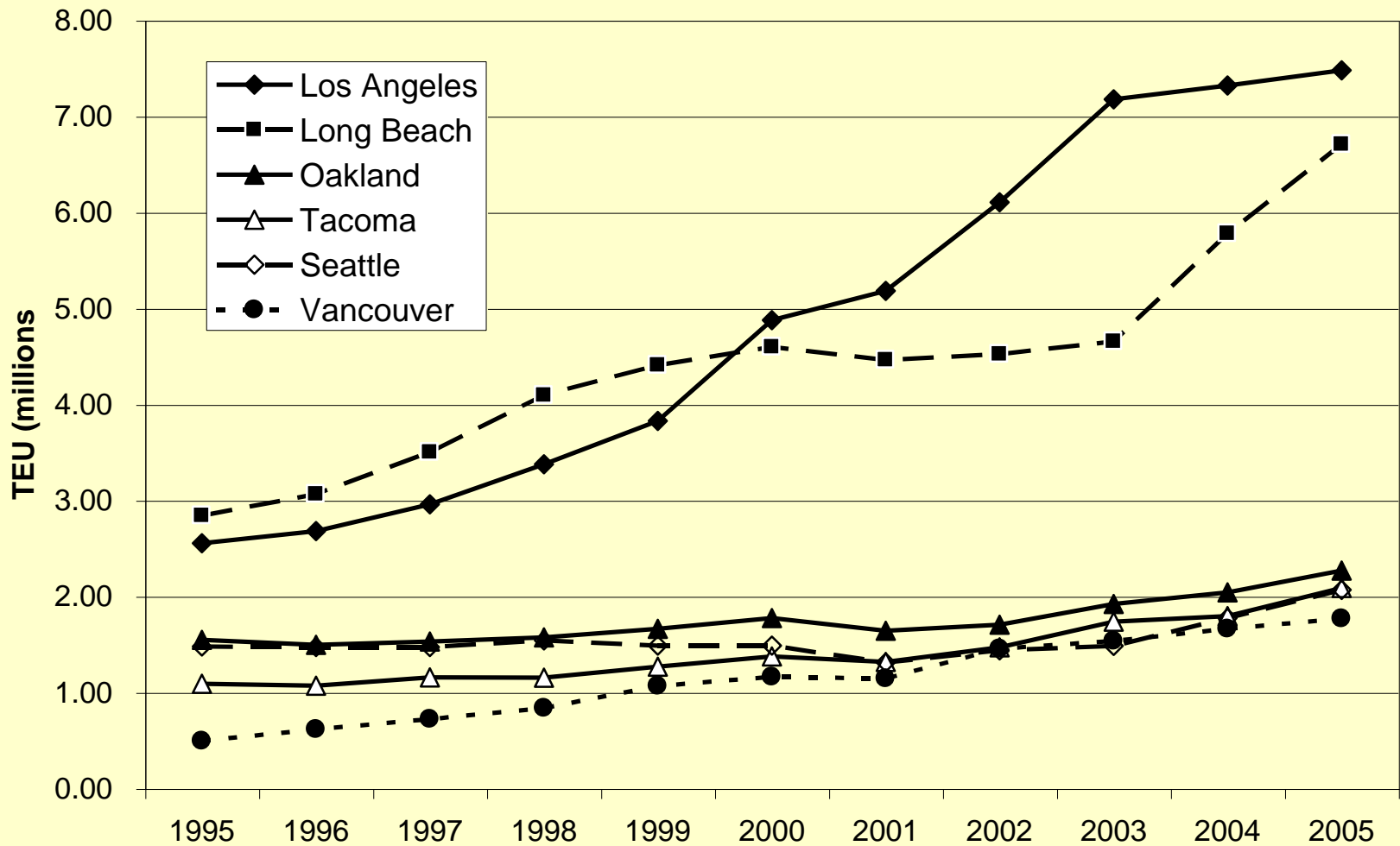
US Trade in Goods

1990	\$889 B
2000	\$2,000 B
2005	\$2,579 B

Los Angeles Region



Pacific Coast Port Growth, TEUs



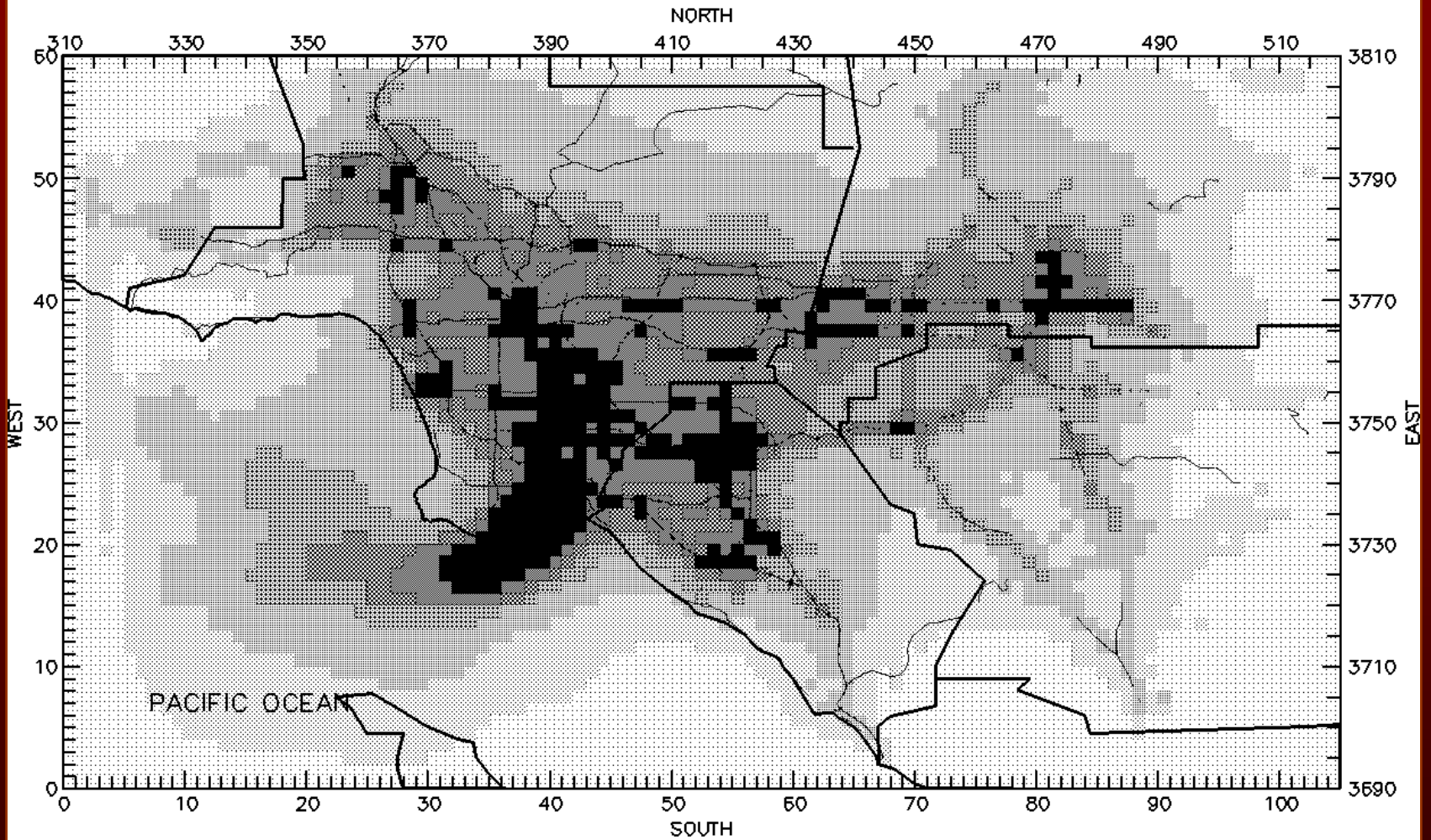
Significant events

- 2000 -- SCAQMD MATES II Study
- 2000 – NRDC vs Port of LA
 - China Shipping Terminal
- 2001 – 9/11
- 2002 – Opening of Alameda Corridor
- 2002 – Port shutdown
- 2002 – I-710 Expansion study

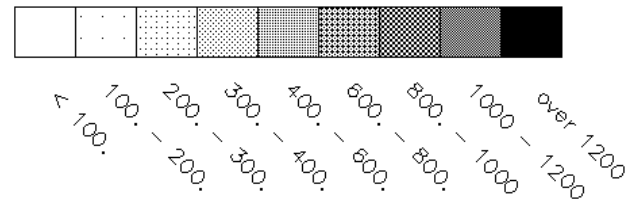
Public response: growing resistance to expected trade growth, facility expansion to facilitate growth; political pressure to reduce local external costs

Maximum Value = 5772.91

Minimum Value = 220.77



MATES II PM <10 Exposure Map



Response: State legislative efforts

2000	AB 1775 passed	Cover coke piles and coke transport
2001	Karnette	First proposal for cargo fee
2002	AB 2650 passed	Reduced queue time at terminal gates
2004	AB 2041 withdrawn	Establish port management congestion district
2004	AB 2042 not passed	Baseline for “no net increase”
2005	SB 760 not passed	\$30/TEU mitigation fee in LA/LB
2005	SB 764 passed; suspended in 2006	Caps on port emissions
2005	AB 1101 not passed	Regulate ports, distribution centers as stationary sources
2006	SB 927 vetoed	\$30/TEU mitigation fee in LA/LB

AB 2650 provisions

- Took effect 7/1/02; in force 7/1/03
- Fines terminal operator \$250 for each truck idling more than 30 minutes while in queue
- Terminals with extended gate hours (≥ 70 hrs/wk) exempt
- Enforced by local air district

AB 2650: Results summary

- Enforcement
 - No citations at LA/LB, 4 at Oakland
- Gate hours not changed
- Appointment use limited at most terminals
- No evidence that queues or cargo process time reduced
 - Truckers reported no change in wait times
 - No difference in transaction time, with or without appointments
- Conclusion: No impact on emissions

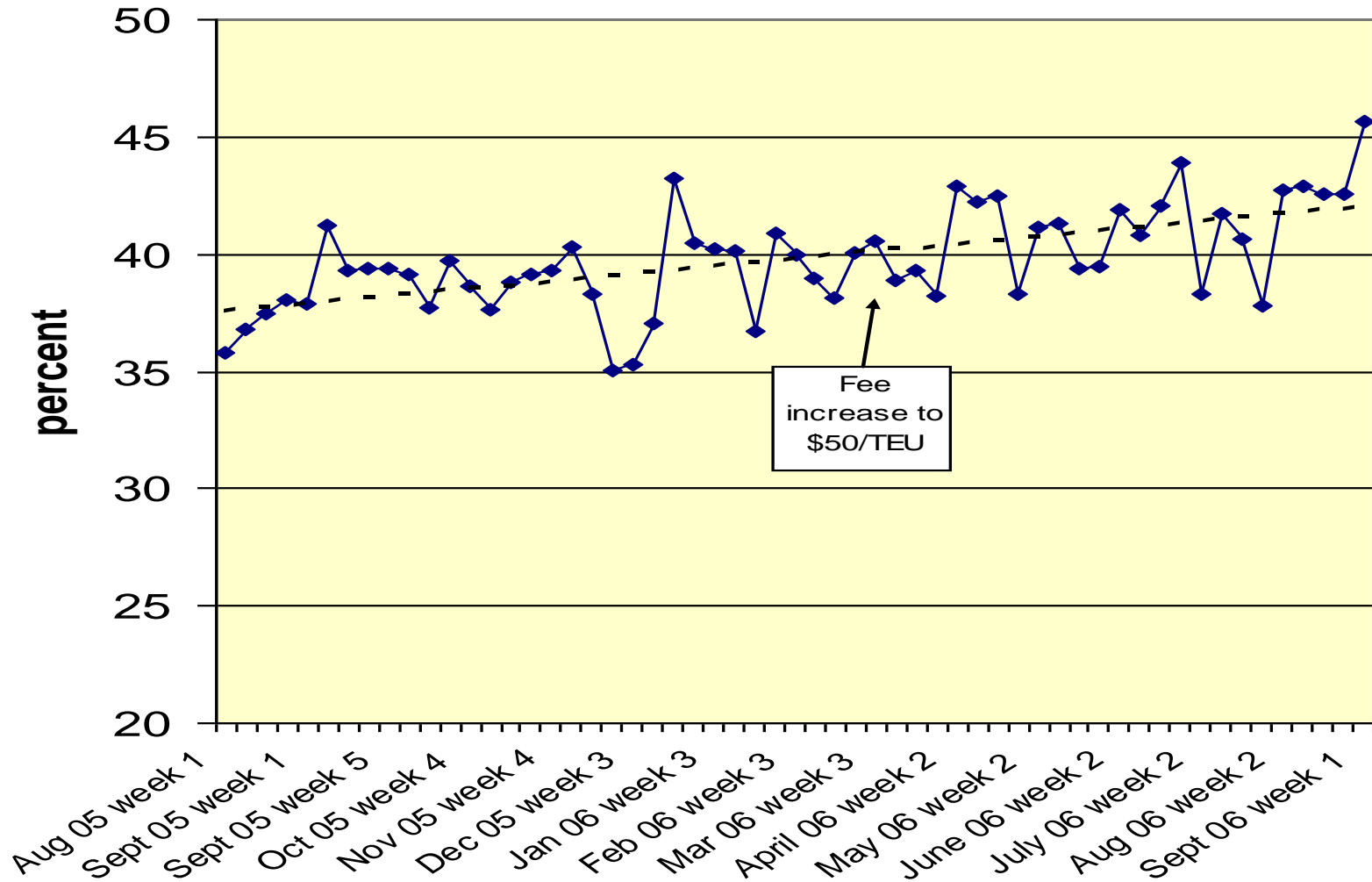
Winners and losers

- Terminal operators
 - No costly changes to operations, potential productivity gains
- Longshore labor
 - Working conditions not affected
- Ports, ocean carriers
 - No official responsibility
- Major retailers
 - Operate 24/7
- Drayage truckers
 - No improvement in turn times
- Warehousing, distribution, consignees
 - No improvement in delivery times
- General public
 - No reduction in congestion, emissions
- Elected officials

OFFPeak implementation

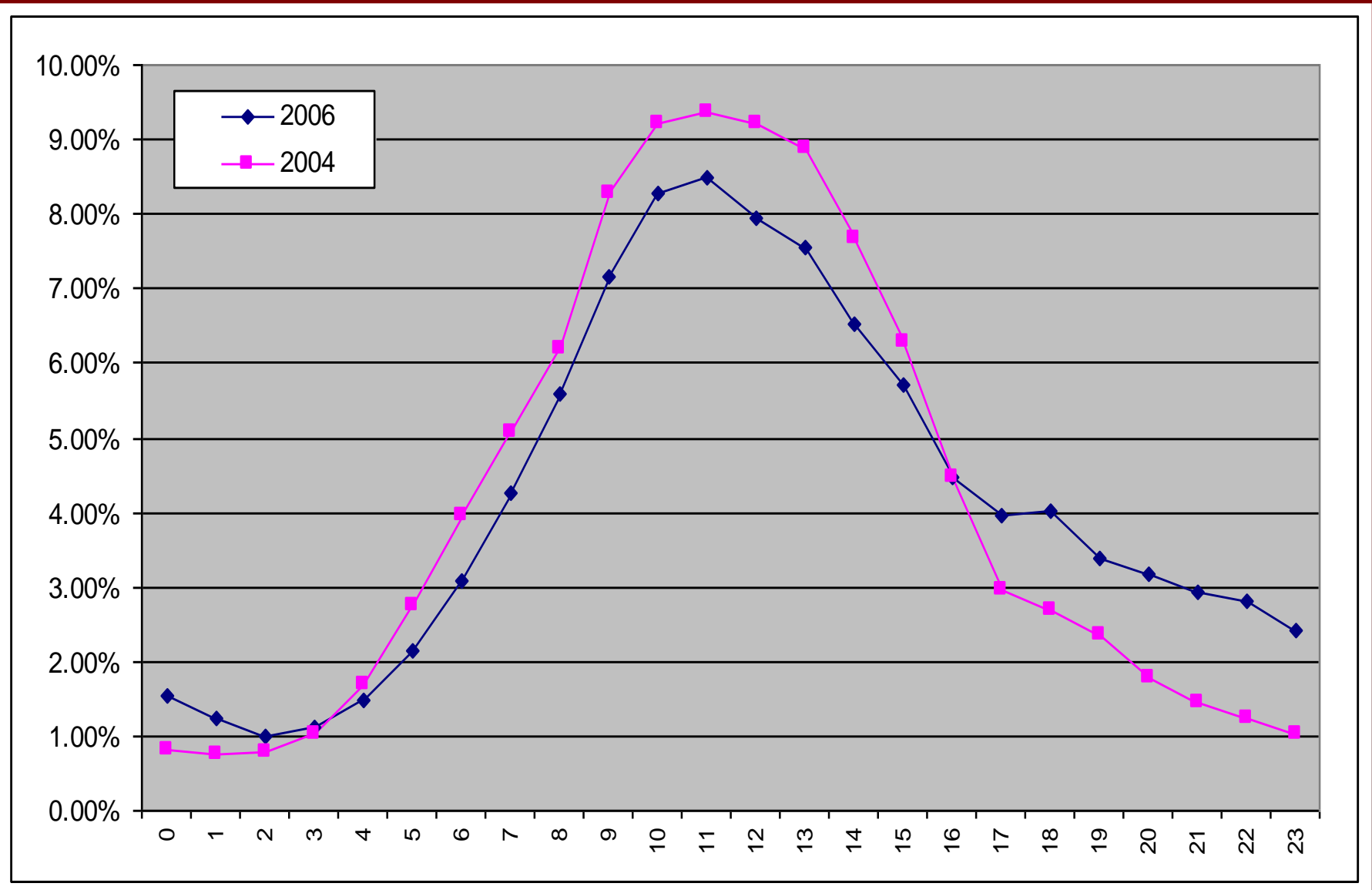
- A response to AB 2041
- MTOs get anti-trust exemption to cooperate and set prices
- PierPASS, Inc. non-profit to administer
- Implemented July 2005
- Provisions
 - \$40/TEU for road cargo entering/exiting during peak hours (\$50/TEU as of 4/06)
 - Peak hours = M-F 3AM – 6 PM
 - Exemptions
 - Empty returns, chassis returns, domestic freight, transshipments, cargo subject to ACTA fee

Off-peak cargo as share of eligible cargo



Note: Eligible cargo about 55% – 60% all cargo

I-710 ave weekday hourly share truck traffic



OFFPeak: Results summary

- Stated diversion targets reached
 - Immediate and continued shift of eligible cargo to off-peak period
 - Significant impact on local highway system
 - Offset much of past 2 year's port growth
- Container fee and program structure
 - MTO collaboration limits competition, reduces financial risk
 - Proprietary financial records preclude public scrutiny

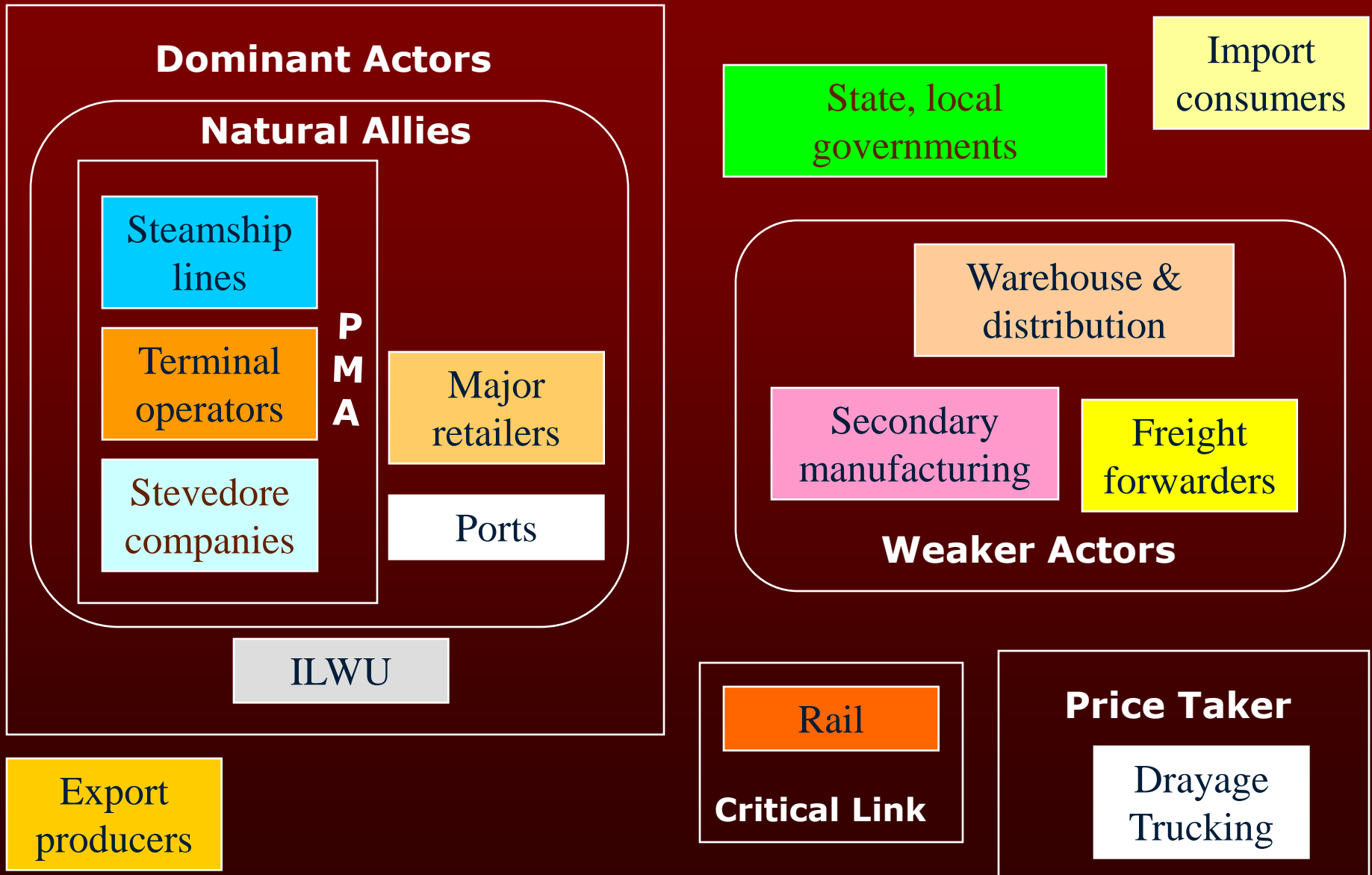
Winners and losers

- Terminal operators
 - Competition, risk, control
- Longshore labor
 - Premium pay
- Ports
 - Credit for making changes
- Major retailers
 - 24/7 structure in place
- General public
 - Reduced congestion, air emissions
- Elected officials
- Drayage trucking
 - Longer work hours, limited premium pay
 - No time savings
- Warehousing, distribution, smaller retailers
 - Adjust operations, absorb extra costs
- Consignees
 - Pay the OFFPeak fee

Conclusions from case studies

- Contrasting outcomes, winners and losers reflect institutional relationships, market and political power of entities within the international trade supply chain

Supply chain conceptual model



Lessons from the case studies

- Capacity of dominant actors to respond to pressures for environmental mitigation
 - Strategy: cooperation for mutual benefit; control responses and revenue streams
 - Goal: continue port growth
- Facilitating role of US regulatory policy
 - FMC discussion agreements allow MTOs to cooperate
 - Interstate commerce prohibits trucker cooperation

Is Los Angeles unique?

■ YES

- LA/LB size and west coast dominance (inelastic demand)
- Scale of congestion, pollution problems
- Frequency and scope of state regulatory efforts
- Effectiveness of environmental advocates

■ NO

- Growing congestion, air pollution problems in other metro areas
- Appointment systems proposed in NY/NJ, Seattle
- Extended gate hours in NY/NJ
- FMC discussion agreements

Closing Thoughts

- Changing trade dynamics impose more local costs, more dispersed benefits
- Ports less able to influence trade flows, but seen as more responsible for local impacts
 - Must respond if public infrastructure investments are to be made
- Re internalizing externalities
 - At what point do pollution charges, regulations affect competitiveness?



Thank you
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