Port of Los Angeles
Clean Truck Program Overview

March 20, 2008
CLEAN TRUCK PROGRAM TO DATE

- November 2006 - CAAP approved
- April 2007 - Clean Truck Program Released
- September 2007 - Husing Study Released
- November 2007 - Truck Ban Schedule Adopted
- December 2007 - Clean Truck Fee Adopted
- March 2008 - BCG Study Released
Objectives for the CTP: Environmental, Port Operations, and Safety/Security

**Environmental**
- Reduce emissions from drayage (port trucking) to comply with CAAP guidelines
- By 2011, CAAP requires an aggregate reduction in pollutants from all Port sources including trucks
  - 47% DPM
  - 45% NOx
  - 52% SOx
- Enable continued migration towards newer and cleaner technologies over time

**Port operations**
- Improve stability of the port trucking market
  - Establish stable drayage service business
  - Avoid service disruptions during implementation
- Ensure long term sustainability
  - Truck fleet and market participants
  - Incomes that attract and retain drivers
- Enable green growth
  - Improve trucking operational efficiency and reliability

**Safety and security**
- Ensure compliance with safety standards
  - Vehicle safety
  - Driver
- Ensure that port security objectives are met

Source: CTP / CAAP presentations, 2006 CAAP Overview
### Benefits & Risks -- Near and Longer Term ...

<table>
<thead>
<tr>
<th>Option I: Basic plan</th>
<th>Option II: Enhanced model with market incentives</th>
<th>Option III: Enhanced model with market incentives and employee commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Near term</strong> (1-5 years)</td>
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<tr>
<td>- Ban satisfies immediate environmental changes</td>
<td>- Creates conditions to accelerate switch to greenest trucks</td>
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<tr>
<td>- No change in port operations and minimal improvements in safety and security</td>
<td>- Limited change in port operations</td>
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</tr>
<tr>
<td>- Discourages marginal LMCs</td>
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<td>- Potential risk of diversion as BCOs face uncertainty of employee commitment</td>
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<tr>
<td><strong>Long term</strong> (5+ years)</td>
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<td>- Fails to create a sustainable long term drayage market that will enable continued progress in improving environmental outcomes and enabling green growth</td>
<td>- If LMCs hire employees will create conditions for sustainable green growth, but</td>
<td>- Most likely to guarantee sustainable environmental and operational improvements</td>
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<td></td>
<td>- Risk that long term sustainable environmental and operational stability undermined if under-capitalized IOOs remain significant factor in market</td>
<td>- Employee and asset based model enhances ability to improve safety and security</td>
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**Benefits**
- Near term: Ban satisfies immediate environmental changes
- Long term: Fails to create a sustainable long term drayage market that will enable continued progress in improving environmental outcomes and enabling green growth

**Risks**
- Near term: Risk that long term sustainable environmental and operational stability undermined if under-capitalized IOOs remain significant factor in market
- Long term: Employee and asset based model enhances ability to improve safety and security
Modeled Outcomes of Differing Choices
Sample Comparative Output

Environmental

Operations: Drayage labor supply

Operations: Drayage market

Operations: Drayage costs (transload to rail)

% of drayage by clean trucks

Avg. drayage income ($/hr)

% of drayage by employees

Avg drayage cost per container

2007 2008 2009 2010 2011 2012

2007 2008 2009 2010 2011 2012

2007 2008 2009 2010 2011 2012

Clean trucks enter system more quickly under Options II and III due to optimized exemptions and financing

Near term rise from TWIC under option I. Drayage incomes rise under option II if marginal IOOs cannot access truck financing

Under options II and III supply/demand brings in higher wage demanding substitute labor in out years

Expect some shift to employee base under option II assuming no marginal IOOs

Shift to employees under option III phased in over time

Increase in costs in 2008 driven by ECF and TWIC impact on labor supply

Shift to employee adds costs to drayage

Source: BCG drayage market dynamics model
STAFF RECOMMENDS CONCESSION OPTION 3 FOR PORT OF LOS ANGELES

- Licensed Motor Carriers in good standing
- $2500 application fee + $100 per truck
- 5 year term, option for renewal
- Transition to 100% employees in 5 years
- Strict controls on operation, maintenance, training, safety and security with record keeping and monitoring by concession administrator.
- Compliance with TWIC, technology and efficiency improvements
- Off-street parking of trucks
- Insurance requirements
- Preference to hire drayage drivers, use of First Source Hiring Center
- Placards on Trucks with 1-(800)-phone No.
BUSINESS OUTREACH PROGRAM

- Business Seminars
- Assist businesses in transition to asset and employee based business
- Compliance with Requirements
- Assistance with Financing Programs
Financing Options for LMCs
(No direct grants to drivers)

- 80% Grants for new truck purchases-
  minimum drayage requirements
  truck for scrapping required
- Lease to Own
- 100% Grants for Retrofits
SCRAP BUY-BACK PROGRAM

• POLA will buy pre 1989 trucks for $5000 that meet requirements:
  In port drayage for 1 year
  Registered in CA for past 2 yrs
• Open to Anyone (LMC’s, IOO’s non-concessionaries)
EXEMPTIONS FROM CLEAN TRUCK PROGRAM FEE

• All privately financed trucks (new or retrofitted) that meet 2007 standard

• All LNG, alternative fuel, electric or other technology that meets 2007 standards, regardless of funding source.
Partial exemptions provide limited incentives towards clean technologies

Further reduced exemptions incentivize clean technologies before the ban

Notes: "07 Diesel" trucks meet 2007 standards; LNG one example of several alternative fuel options, additional analysis for CNG, Hybrid, Electric and other alternatives required.

1. Annual operating costs for 2007 Diesel and LNG trucks calculated to be roughly equal using a variety of secondary and primary sources; also includes driver cost and margins

Sources: CTP Technical report, Husing SPBP CAAP Economic Impact Report, CGS SPBP Driver Survey, Tom Brightbill, CRT and LMC interviews, BCG economic model and interviews
PROPOSED TARIFF CHANGES

• Require concession for port access
• Change collection fee start date from June to October 2007
• Create incentive program (fee exemptions)
• Language changes to conform Clean Truck Fee with Infrastructure Fee
Our Conclusion: Option III Provides Best Balance of Benefits & Risks

<table>
<thead>
<tr>
<th>Benefit / risk</th>
<th>What we think will happen...</th>
<th>..and why</th>
</tr>
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</table>
| +              | “Dirty” diesels rapidly removed from SPB region | • Scrap program  
• LMCs incentivized to scrap old trucks |
| +              | Most likely to guarantee sustainable environmental and operational improvements | • Asset based LMCs with 100% employees creates barriers to entry  
• Ability/incentives for investment and operational efficiencies |
| +              | Continual improvement in the efficiency of the port drayage market is likely with LMC consolidation and move to asset-based market | • LMCs with employees able/incentivized to invest in efficiency improvements  
• LMCs have more skin in the game |
| -              | Total diversion will be approximately 3% based on rational economic decisions resulting from drayage price increase | • Drayage price increases especially due to labor changes |
| +              | Improved port security | • Concession criteria with 100% employee requirement will improve oversight  
• Reciprocal obligations - port grants concessions to accountable LMCs |
## POLA and POLB Plans - Key differences

<table>
<thead>
<tr>
<th>Environmental Cargo Fee</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private funded Clean Diesel</td>
<td>$17.50, scrap after Oct 1</td>
<td>$0, no scrap</td>
<td>Encourage private funding,</td>
</tr>
<tr>
<td>CTP funded LNG/Alt fuel</td>
<td>$35, scrap required</td>
<td>$0; scrap required; req. future dray frequency</td>
<td>Promote cleaner faster</td>
</tr>
<tr>
<td>Electric/ Hybrids</td>
<td>Not mentioned</td>
<td>Same as LNG/Alt. Fuel</td>
<td>Include other tech. to reduce emissions</td>
</tr>
</tbody>
</table>

### Concession

<table>
<thead>
<tr>
<th>Drivers used by LMCs</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
</tr>
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<tbody>
<tr>
<td>Option of IOOs and employees</td>
<td>100% Employees by 2012</td>
<td>Stabilize supply, improve safety/security</td>
<td></td>
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<table>
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<tr>
<th>Truck parking restrictions</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
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<tbody>
<tr>
<td>Comply with existing on-street laws</td>
<td>Proof of adequate off-street parking</td>
<td>Reduce local neighborhood impacts</td>
<td></td>
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<table>
<thead>
<tr>
<th>Fee</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
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<tbody>
<tr>
<td>$250, +$100 annually per truck</td>
<td>$2,500, +$100 annually per truck</td>
<td>Cover admin. costs, Incent stable, well-capitalized firms</td>
<td></td>
</tr>
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### Financing Program

<table>
<thead>
<tr>
<th>Recipient eligibility</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
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<tr>
<td>LMC or IOO</td>
<td>LMCs only</td>
<td>Encourage move to asset based business model</td>
<td></td>
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<th>Scrap truck buyback</th>
<th>POLB plan</th>
<th>POLA plan</th>
<th>Rationale for POLA plan</th>
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<tbody>
<tr>
<td>None (tied to ECF and new trucks)</td>
<td>$5,000 for pre-89s to IOOs/LMCs, additional buybacks in future.</td>
<td>Rapidly remove dirty trucks from SPB to meet or exceed CAAP goals</td>
<td></td>
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</table>
NEXT STEPS

- Finalize concession agreement and application materials
- Market our program to LMC’s
- Selection of a Financing Company
- Selection of a Concession Administrator
- Hold business outreach workshops
- Prepare for Truck Registration