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Port of Los Angeles Proposes a Clean Truck Program to Accelerate and Sustain Clean-Air Benefits, and Provide Market Incentives to Transform a Broken Port Trucking System

Program accelerates creation of a “green fleet” through gate fee exemptions and Scrap Truck Buyback Program for rapid removal of oldest, dirtiest big-rigs

SAN PEDRO, Calif. -- March 17, 2008 -- The Port of Los Angeles today posted its final recommendations for a Port of Los Angeles Clean Truck Program (CTP) designed to achieve long-term sustainability, accelerate the replacement of high-polluting trucks with cleaner trucks, and provide market incentives to encourage private investment and create a capitalized, asset-based short-haul trucking or “drayage” system at the nation’s largest container port. The Los Angeles Harbor Commission will consider the proposed Clean Truck Program recommendations at its March 20, 2008, special board meeting, 9:00 a.m. at Banning’s Landing Community Center in Wilmington.

Pollution from the truck fleet serving the San Pedro Bay ports contributes to hundreds of premature deaths annually in Southern California, with the public paying between \$100 million and \$590 million annually in health impact costs alone, according to the California Air Resources Board. The present system of Licensed Motor Carriers (LMCs) and low-wage, paid-by-the-load independent truck owner-operators (IOOs) provides no incentive for improving efficiency and no financial means to replace the existing truck fleet with cleaner, more efficient trucks.

“The trucking system serving our ports is broken and cannot be permanently fixed without a major transformation,” said Port of Los Angeles Executive Director Geraldine Knatz, Ph.D. “Our Clean Truck Program offers incentives that will help us reach the 80-percent truck pollution reduction target as quickly as possible, encourage participation from legitimate outside operators, and provide the most sustainable long-term solution for protecting public health and safety. If we don’t create a responsible and financially viable port trucking system, a decade from now we’ll be throwing billions of dollars at this chronic problem once again.”

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The Port's CTP is designed to encourage an evolution of the Port drayage market towards an asset-based system in which LMCs enter into drayage concession agreements with the Port and are responsible for owning and maintaining the truck assets used to perform drayage services at the Port under the concession. Port of Los Angeles drayage concessionaires must also commit to using employee drivers for Port drayage by year 2012 through a phased-in schedule, with flexibility afforded for peaks and troughs in demand by use of temporary or part-time employees. By working with a concessionaire network of LMCs that have direct control over employee drivers, the Port can more effectively ensure that concessionaires meet requirements that include having a legitimate place of business and proof of adequate off-street parking. These requirements will reduce the impact of trucks driving into communities and parking in front of home or businesses, especially in the Harbor District.

As operators with a vested interest in their truck assets, Port of Los Angeles concessionaires will be more accountable for proper truck maintenance and safety standards, so their trucks will continue to generate lower emissions and retain maximum value over the long haul. Concessionaires also will have more incentive to pursue business efficiencies that are common within the trucking industry, like operating fewer trucks to accomplish the same number of container hauls – one of the easiest ways to reduce pollution and truck congestion.

The drayage system proposed in the Port of Los Angeles Clean Truck Program more closely resembles the nationwide non-drayage trucking industry, where capitalized, asset-based trucking companies use employee drivers and pay higher wages in order to recruit and retain truck drivers. With owner-operators in the present port drayage earning \$10 to \$12 per hour on average after fuel and necessary truck maintenance costs, truck drivers elsewhere earning \$20 per hour or more have no incentive to work in port trucking.

According to a drayage options analysis performed by The Boston Consulting Group (BCG), the current drayage system imposes between \$500 million and \$1.7 billion of costs on the public each year through: operational inefficiencies (e.g. impact on truckers and trucking companies of truck under-utilization, traffic congestion and lack of driver health/benefits); city/community costs (e.g. road maintenance, environmental damage, vehicle and driving safety and residential impacts from truck traffic and parking); and, above all, public health (premature death, hospital admissions, workday and school-day loss, and restricted activity).

By all accounts, the cost of replacing the present truck fleet will raise the price shippers pay to move their cargo through the San Pedro Bay ports. But at an incremental cost of \$500 million over a non-asset and employee-based drayage model, the additional cost of the Port of Los Angeles' proposed system is less than the externalized, public-borne costs (\$500 million to \$1.7 billion annually) that are offset by a transformed drayage market. According to BCG's analysis the proposed employee based system should deliver a positive cost: benefit ratio from 2010 onwards.

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In November 2007, the Los Angeles and Long Beach Boards of Harbor Commissioners approved a progressive dirty truck ban schedule which begins October 1, 2008 by prohibiting all pre-1989 trucks from working in port drayage. By January 1, 2012, all drayage trucks operating in the port complex will be required to meet 2007 federal emission standards, which will reduce port related truck pollution by an estimated 80 percent. In December 2007, both port commissions approved cargo fee tariffs to accelerate the replacement of the existing truck fleet by assessing a \$35 gate fee per twenty-foot container unit (TEU) to generate funds to help underwrite the replacement of the existing truck fleet.

The Port of Los Angeles Clean Truck Program is designed to be consistent with the recently approved Port of Long Beach Clean Trucks Program in terms of the truck ban schedule. At the Thursday Commission meeting, the Port will recommended revision of the start date for the collection of the Clean Trucks cargo fee to October 1, 2008, in order to align implementation dates with the Port of Long Beach's clean truck initiative and allow more time for distribution of radio-frequency tags and reader installation at terminal gates.

The Port of Los Angeles Clean Truck Program includes the following provisions:

Cargo Fee Exemptions

- All privately funded 2007 compliant trucks – including retrofits, LNG, electric, alternative fuel or other acceptable “best technology” vehicles (e.g. hybrid or hydrogen) -- will be exempted from the \$35 per twenty-foot container (TEU) Clean Trucks Fee at Port of Los Angeles terminals.
- Concessionaires with privately funded 2007 compliant trucks will not be required to turn in an old truck to scrap as part of their permit agreement.
- All publicly funded LNG, electric, alternative fuel or other acceptable “best technology” vehicles will be exempted from the Clean Trucks Fee (\$35 per twenty-foot container) at Port of Los Angeles terminals.
- No exemption will be given to publicly-funded 2007 compliant diesel trucks or retrofits.
- Port of Los Angeles Clean Truck Program-funded trucks will require a truck trade-in for scrapping and must become a regular use drayage vehicle (an averaged minimum of six trips per week).

Concession Requirements

- Concessions will only be provided to Licensed Motor Carriers, not individual truck owner-operators.
- Concessionaires will pay a \$2,500 fee for a five-year permit plus an annual fee of \$100 per truck.
- All drivers of trucks being used to carry out a concession (i.e., trucks accessing port property) must be employees of the concessionaire upon the completion of a five-year transition period.

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- Concessions may be revoked at any time if the Concessionaire is not compliant with the requirements for licensing, bonding, insurance, maintenance, safety or security.
- Concessionaires must agree to meet port standards for technology and efficiency (promoting the use of current or future tools like the virtual container yard).

Financing

- Financing will be provided to Concessionaires only, providing grants for up to 80 percent of the purchase of 2007 standard diesel and LNG trucks
- Low cost leasing options will be provided.
- Retrofits meeting 2007 emissions standards also will be funded in full.
- CTP financed or leased trucks must be used as full time drayage vehicles (average minimum of six trips per week)
- CTP trucks must meet CTP specifications, and must be purchased from a CTP authorized vendor

By offering a broader range of Clean Truck Fee exemptions, the Port of Los Angeles Clean Truck Program will encourage more rapid investment in 2007-compliant trucks. In addition, the requirement of turning in an old truck to be scrapped will be limited only to concessionaires who receive CTP funding assistance in purchasing 2007 diesel trucks. The Port also will create a **Scrap Truck Buyback Program** to help accelerate the removal of pre-1989 trucks from Port service, paying parties \$5,000 to turn in their pre-1989 trucks. Concessionaires who receive CTP-funding are not eligible for the \$5,000 Scrap Truck Buyback.

The Port also will offer a **Truck Procurement Assistance Program** for concessionaires who apply for truck funding in order to obtain the best possible truck prices through volume discount pricing agreements the Port will forge with approved Original Equipment Manufacturers (OEMs) and associated dealers – either independently or with the Port of Long Beach. Through this program the Port will identify a range of trucks with appropriate emissions reduction capabilities at discounted prices and make this range of options available to CTP program participants.

To assist Concessionaires in the transition over to an employee-based industry, the Port also will create a **Business Outreach Program** that will provide seminars to educate concessionaires on best practices in the areas of Program compliance, operational efficiency, financial management and human resources guidelines for transitioning to employees. The Business Outreach Program will also offer driver training courses and truck maintenance options. It will be open to any Port of Los Angeles concessionaire, with a preference for financing given to concessionaires with a history of drayage work.

For a Fact Sheet and information about the Port of Los Angeles Clean Truck Program, visit www.portoflosangeles.org.

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The Port of Los Angeles is America's premier port and has a strong commitment to developing innovative strategic and sustainable operations that benefit the economy as well as the quality of life for the region and the nation it serves. As the leading seaport in North America in terms of shipping container volume and cargo value, the Port generates 919,000 regional jobs and \$39.1 billion in annual wages and tax revenues. A proprietary department of the City of Los Angeles, the Port is self-supporting and does not receive taxpayer dollars. The Port of Los Angeles – A cleaner port. A brighter future.

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