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 ...

Option I: Basic plan

Near term (1-5 years)
- Ban satisfies immediate environmental changes
- No change in port operations and minimal improvements in safety and security

Long term (5+ years)
- Fails to create a sustainable long term drayage market that will enable continued progress in improving environmental outcomes and enabling green growth

Option II: Enhanced model with market incentives

Near term (1-5 years)
- Creates conditions to accelerate switch to greenest trucks
- Limited change in port operations
- Discourages marginal LMCs

Long term (5+ years)
- If LMCs hire employees will create conditions for sustainable green growth, but
- Risk that long term sustainable environmental and operational stability undermined if under-capitalized IOOs remain significant factor in market

Option III: Enhanced model with market incentives and employee commitment

Near term (1-5 years)
- Creates conditions to accelerate switch to greenest trucks
- Potential risk of diversion as BCOs face uncertainty of employee commitment

Long term (5+ years)
- Most likely to guarantee sustainable environmental and operational improvements
- Employee and asset based model enhances ability to improve safety and security

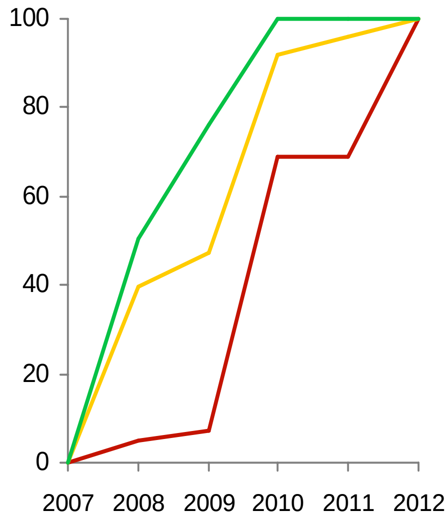
Benefits
Risks

Modeled Outcomes of Differing Choices

Sample Comparative Output

Environmental

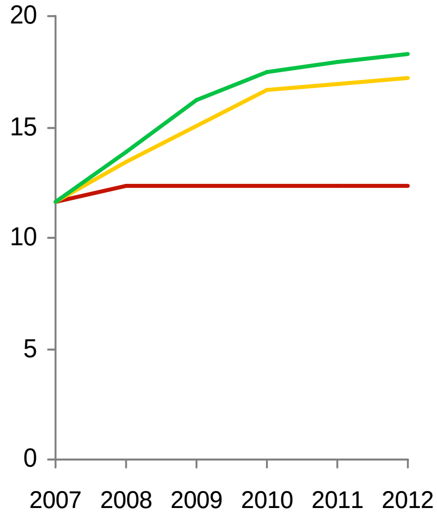
% of drayage by clean trucks



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

Operations: Drayage labor supply

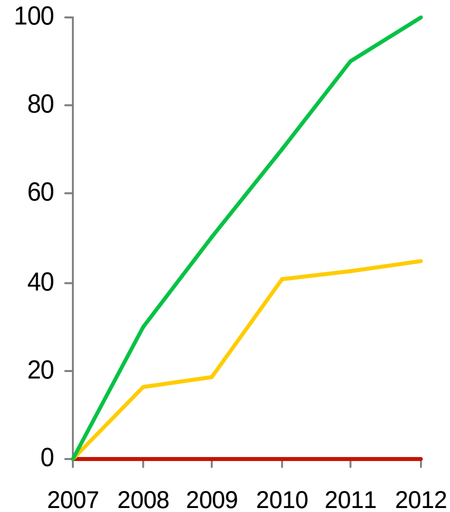
Avg. drayage income ($/hr)



- 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

Operations: Drayage market

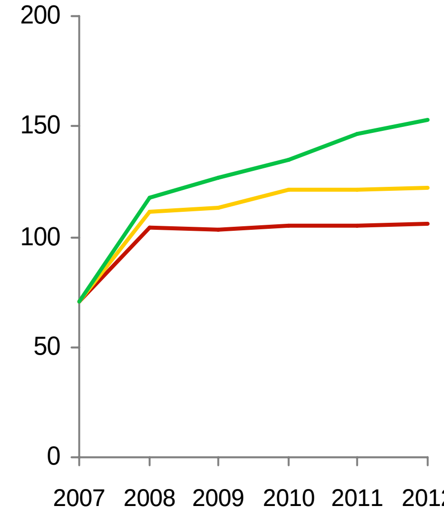
% of drayage by employees



- Expect some shift to employee base under option II assuming no marginal IOOs
- Shift to employees under option III phased in over time

Operations: Drayage costs (transload to rail)

Avg drayage cost per container



- Increase in costs in 2008 driven by ECF and TWIC impact on labor supply
- Shift to employee adds costs to drayage

- Option I
- Option II
- Option II

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)

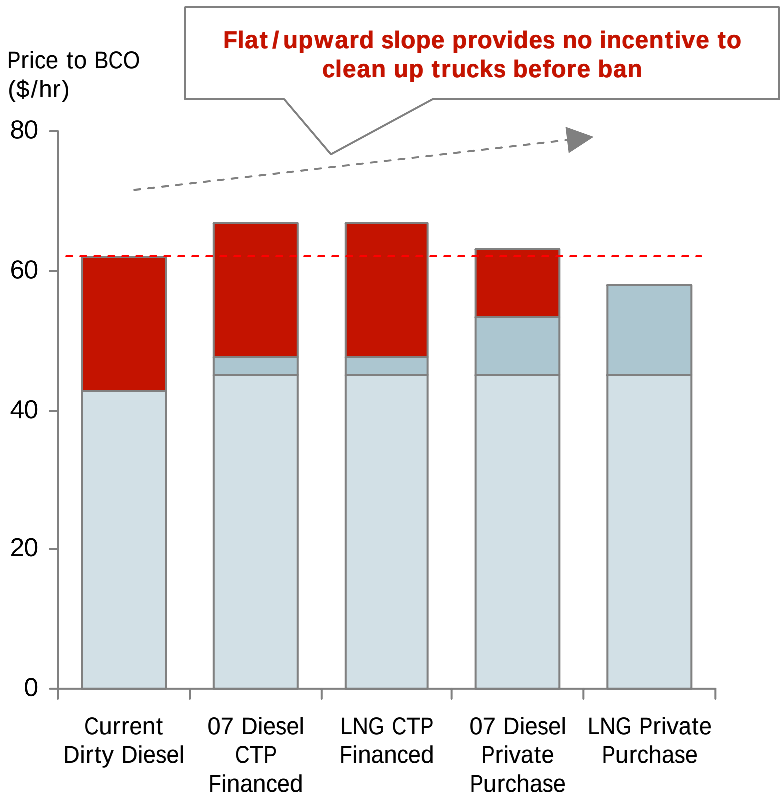
EXEMPTIONS FROM CLEAN TRUCK PROGRAM FEE

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

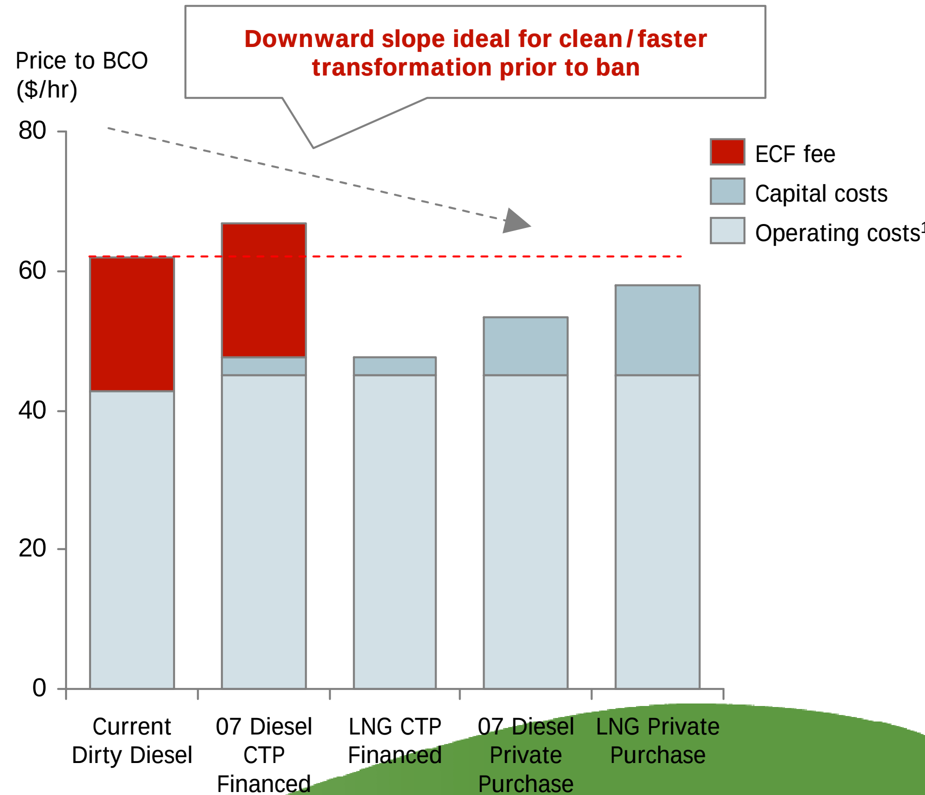
- All LNG, alternative fuel, electric or other technology that meets 2007 standards, regardless of funding source.

Market Encouragement for Greener Trucks Ahead of Truck Ban Schedule

Partial exemptions provide limited incentives towards clean technologies



Further reduced exemptions incentivize clean technologies *before the ban*



Percent ECF Exemption	0%	0%	0%	50%	100%	0%	0%	100%	100%	100%

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, CGR 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

Benefit / risk	What we think will happen...	..and why
+	**"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

	POLB plan	POLA plan	Rationale for POLA plan
Environmental Cargo Fee			
Private funded Clean Diesel	$17.50, scrap after Oct 1	$0, no scrap	Encourage private funding,
CTP funded LNG/Alt fuel	$35, scrap required	$0 ; scrap required; req. future dray frequency	Promote cleaner faster
Electric/Hybrids	Not mentioned	Same as LNG/Alt. Fuel	Include other tech. to reduce emissions
Concession			
Drivers used by LMCs	Option of IOOs and employees	100% Employees by 2012	Stabilize supply, improve safety/security
Truck parking restrictions	Comply with existing on-street laws	Proof of adequate off-street parking	Reduce local neighborhood impacts
Fee	$250, +$100 annually per truck	$2,500, +$100 annually per truck	Cover admin. costs, Incent stable, well-capitalized firms
Financing Program			
Recipient eligibility	LMC or IOO	LMCs only	Encourage move to asset based business model
Scrap truck buyback	None (tied to ECF and new trucks)	$5,000 for pre-89s to IOOs/LMCs, additional buybacks in future.	Rapidly remove dirty trucks from SPB to meet or exceed CAAP goals

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