

SCOPE OF WORK FOR ECONOMIC IMPACT ANALYSIS ON PROPOSED SAN PEDRO BAY PORTS CLEAN TRUCK PROGRAM

In November of 2006, the Ports of Los Angeles and Long Beach adopted the San Pedro Bay Ports Clean Air Action Plan (CAAP), a sweeping plan aimed at significantly reducing the health risks posed by air pollution from port-related ships, trains, trucks, terminal equipment and harbor craft. The Ports have jointly developed the Clean Trucks Program as the first major element of their CAAP. Under this Program, a grant and fee program will be established to scrap and replace the oldest trucks working in the Ports and to retrofit the others with emissions control devices that achieve lower emission levels. In addition, the Ports will award concession licenses to Licensed Motor Carriers (LMC) for the exclusive ability to provide trucking services to the Ports.

The goals of the Program are:

- To reduce air pollution from trucks serving the Ports by more than 80 percent within five years through a progressive ban on older, higher-emitting trucks, and the replacement or retrofit of those trucks using grants.
- To enhance Port security, safety, and sustained truck program compliance through requirements in the Port concession license agreements.

In response to comments received from the CAAP Stakeholder Group, the Ports have undertaken an economic impact analysis to consider the potential impacts on costs, benefits, and operations from implementation of the Clean Trucks Program.

The analysis is being conducted by John Husing, of Economics & Politics, Inc. Mr Husing is supported by CGR Management Consultants LLC.

The original scope of work for this analysis was presented to the CAAP Stakeholder Group on June 27, 2007. Revisions have been made to the original scope of work based on comments received at that meeting and subsequently submitted to port staff. Comments have been incorporated, to the extent feasible, given the extensive amount of analytical work already committed to and the relatively short time frame in which to complete this analysis.

The two key elements that have been added to the scope are: (1) presentation of benefits that may reasonably be associated with the Clean Truck Program, and (2) analysis of potential impacts on existing Licensed Motor Carriers.

It is planned that findings from the Economic Impact Analysis will be presented at a CAAP Stakeholder meeting in early September 2007.

The following is a summary of the revised scope of work for this analysis:

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Scope of Work

Economic Impact Analysis on Proposed San Pedro Bay Ports Clean Truck Program

1. Coordinate with the South Coast Air Quality Management District (SCAQMD) and the California Air Resources Board (CARB) to describe the anticipated overall health benefit to Southern California as a result of implementing the Clean Air Action Plan (CAAP) Clean Truck Program.
2. Coordinate with key local agencies and organizations (e.g. the ports of Los Angeles and Long Beach, Alameda Corridor Transportation Authority, Public Policy Institute of California, Southern California Association of Governments and Los Angeles Economic Development Corporation) and utilize recent studies (e.g., Multi-County Goods Movement Action Plan) to describe the expected economic benefit to Southern California from future port development made possible by implementation of the CAAP, including the Clean Truck Program.
3. Estimate the impact of implementation of the Transportation Worker Identification Certification (TWIC) program on the supply of drivers and trucks in 2008 and the ensuing 5 years, and potential resultant impacts on drayage costs.
4. Identify and analyze the existing licensed motor carrier (LMC) business model as it relates to port drayage, including operations activities, job structure (including non-driver employees) and costs, in order to identify how the transition to a concession model would impact these businesses.
5. Evaluate the costs and benefits to LMCs and drivers and the potential impact on the supply of drivers, assuming implementation of the concession model requirements (e.g., safety, maintenance, security requirements), while maintaining the existing Independent Owner Operator (IOO) driver workforce. The period of evaluation will be for 2008 and the ensuing five years.
6. Evaluate the costs and benefits to LMCs and drivers and the potential impact on the supply of drivers, assuming implementation of the concession model requirements (e.g., safety, maintenance, security requirements), under various types of employer – employee structures. This task will include research to estimate the willingness of existing drivers to become employees and to estimate the level of employee wages and benefits required to maintain the current and future supply of drivers needed to

handle port cargo volumes. The period of evaluation will be for 2008 and the ensuing five years.

7. Estimate the capital costs of obtaining trucks under both a concession - IOO structure and a concession – employee structure, as well as the change in ongoing costs of maintaining and operating trucks, in each respective structure. The analysis will also compare and contrast the effect of each respective structure on adherence to truck maintenance standards and conformity with Clean Truck emissions standards.
8. Estimate and compare the relative benefits of the concession model (with and without employee requirements) versus the existing IOO model, as it relates to the following:
 - Accommodation of peak and non-peak seasons;
 - Efficiency of operations and driver productivity;
 - Achievement of port security mandates; and
 - Impact on transportation costs per container.