CONTAINER CAST 7: MEETING PUBLIC POLICY CHALLENGES

Mat: This is ContainerCast, from the Center for International Trade and Transportation at California State University, Long Beach. I’m Mat Kaplan and I’ll be talking once again with Tom O’Brien. Tom is the Director of Research for the CITT and the Associate Director for METRANS Cal State Long Beach Programs. That’s the METRANS Transportation Center in partnership with the University of Southern California. Tom, welcome again to ContainerCast.

Tom: Thank you, Mat.

Mat: We want to talk about something that’s come up before on this program and that is related to some of the things that are beginning to happen from a regulatory standpoint at the port: PierPass, Clean Truck Program, and so on. And for all of this, October 1st I guess, was a pretty critical date.

Tom: Yea, the month of October in general has been a date of milestones for the ports, with the launching of the Clean Truck Program and the phase-in of a series of related measures designed to support the Clean Truck Program and that’s the use of RFID tags to keep track of the trucks and then the targeted date for the payment of the dirty truck fee; some of those dates have slipped. But October 1st was important because it was a date that the ports weren’t sure was going to happen because of possible regulatory concerns from the Federal Maritime Commission and parts of the Clean Truck Program that have been tested in the courts; but in fact, as of October 1st, trucks with engines older than 1989 are prohibited from entering the ports and that’s the bottom line.

Mat: Now of course we can easily spend all of this segment talking about just that, but the real point, if I’ve taken it correctly from your recent piece in the Long Beach Business Journal, is not so much the reality of what came in place or what came into being on October 1st, but how we got there and how it represents a shift in both the regulatory climate and how entities like the ports need to be adjusting to new times.

Tom: Right. The piece is actually titled Revolution or Evolution Underway at the Ports; and the point is that if you were a trucker October 1st appeared revolutionary to you, to the extent that it started down a path of perhaps changing the way truckers do business at the ports of LA and Long Beach. The point of the article is that it’s not revolutionary when you consider what has been happening over the past several years at the port. This movement toward local control, and that’s to say port control of the regulatory environment where we would normally expect the government to be establishing the standards. It’s actually been the two ports that have been designing and implementing things like the Clean Truck Program.

Mat: Not entirely altruistic, although we all recognize the benefits of this particularly for the environment, but there was something of a threat hanging over the ports if they had not found a solution on their own.

Tom: That’s right. Keep in mind that the Clean Truck Program has grown out of the Clean Air Action Plan which was adopted by the two ports in November of 2006. That joint effort
of the two ports was really designed to forestall the regulatory action. It's in the port’s best interest, one, to clean up the environment; I think that will be good for business. Improving congestion makes them more efficient; but at the same time by designing the environmental measures they're much more in control of what happens and what the outcomes are. Particularly when it comes to collecting fees, like the dirty truck fee, because the terminals and the ports are collecting the fees, they're going to be able to spend it on programs that they are able to direct.

Mat: So there’s a lot more flexibility than what might have been handed down from, let’s say, Sacramento.

Tom: That’s entirely correct, and we don’t have to go too far back to look at the model for this, and that’s the PierPass program. PierPass was a program designed and implemented by the terminal operators under authority that they have from the Federal Maritime Commission. It was clearly done in response to threat of legislation, legislation that was introduced, that would have mandated that the ports open their gates around the clock, or at least until the second shift in the evening. But the PierPass Program has created a model by which the terminal operators collect the fee. The money goes back to the operators to pay for the cost of off-peak operations. Had the Lowenthal Bill, which started this, had it actually passed, a fee would have been collected but it would have gone into the State's general fund.

Mat: State Senator Allen Lowenthal?

Tom: Yes, that’s right, but that money would have gone into the general fund, so the terminals would have not been able to use it in a way that I think would have served their interests. The PierPass model now is not only being used for the dirty truck fee, but it’s something that the ports themselves are looking at. There’s going to be a new infrastructure fee that’s going to be collected as of January 1st, which will be used to fund infrastructure improvements at the port level.

Mat: Looking at these actions, are we getting a sense of the shape of things to come?

Tom: I think so. I think that the page has turned on environmental measures. You can argue economic development but when it comes to port operations that argument alone doesn’t fly anymore. You've got to address environmental mitigation measures. They can become more efficient but they have to do so in a way that cleans up air quality, reduces congestion; and so they've got to figure out a way to meet community concerns and the concerns of elected officials in a way that allows them to pay for the mitigation measures as well. Because the other ports around the country are going to be addressing similar measures - if not to the scope and scale that they are in LA and Long Beach - it’s going to be a concern that has to be addressed around the country, and this model might be useful in other places as well, that’s to say local control of environmental programs.

Mat: It sort of adds on to that cliché that we’ve all heard, “think globally, act locally” and I guess we have to add to that now, “act locally while still thinking globally.” It’s a little twisted.
**Tom:** And pay for it locally as well with, hopefully, benefits to the supply chain and global trading system as a whole.

**Mat:** And obviously there’s pain for pretty much all of the parties in this, but still the situation could have been much worse.

**Tom:** yea, I think because the terminal operators have the incentive to move more quickly, you may actually see improvements, sooner rather than later. The terminals and the ports aren’t contesting measures and additional fees in the court system, although the portions of the Clean Truck Program are being contested there. But you’re actually going to be seeing improvements on the ground sooner rather than later, and I think that benefits everyone.

**Mat:** Tom thanks again for joining us on Container Cast.

**Tom:** Thank you, Mat.

**Mat:** You just heard ContainerCast, where our guest has been Dr. Thomas O’Brien. We’d love to hear from you. Write to CITT@uces.csulb.edu. ContainerCast is produced by the Center for International Trade and Transportation, a division of University College and Extension Services at California State University, Long Beach, and in partnership with the METRANS Transportation Center. We offer an outstanding selection of events, programs, and courses, including the Global Logistics Specialist program. Visit us online at www.uces.csulb.edu/CITT or call 562-985-2872.