



Memorandum

Date: January 14, 2008
To: Board of Harbor Commissioners
From: Eric C. Shen, Director of Transportation Planning
Subject: **Infrastructure Cargo Fee Tariff**

Requested Action

Approve the Port of Long Beach ordinance and tariff that establishes an Infrastructure Cargo Fee (ICF) to fund transportation infrastructure improvements that will reduce traffic congestion and air pollution.

Background

The ports of Long Beach and Los Angeles (Ports), and the Alameda Corridor Transportation Authority have been jointly developing several local intermodal projects that will reduce highway bottlenecks and facilitate a greater use of the rail system for transporting cargo. These projects will address existing transportation infrastructure deficiencies in and around the Ports and will also contribute to improved air quality, an objective of the San Pedro Bay Ports Clean Air Action Plan (CAAP) adopted in 2006. In addition, better traffic flow on highways will assist the shipping industry to improve reliability in delivering goods. All of these transportation projects are included in the California Goods Movement Action Plan (GMAP), prepared by the State of California Business, Transportation & Housing Agency and the California Environmental Protection Agency. Some of these projects have been congressionally designated as “Projects of National & Regional Significance” and “High-Priority Projects.”

Description of Current Issues

The projects described below are critical for improving traffic flow and reducing air-pollution-related health risks in the port area. However, federal, state, local, and Ports funds available for project implementation are limited. Therefore, imposing direct industry user fees is a justified and appropriate measure to supplement public funds in order to accelerate project implementation. The ICF is also needed to provide the required match to federal grants and state bond funding. One of the principal objectives of the fee is to “leverage” Proposition 1B bond funds, as well as future federal funds, through the reauthorization of SAFETEA-LU which will occur in 2009.

ICF Projects Included in the Fee Calculation

The ICF will be used to supplement public funds in completing the following projects. A brief description for each project is included in Attachment 1:

- A. Gerald Desmond Bridge Replacement
- B. SR-47 Expressway
- C. Navy Way/Seaside Avenue Interchange
- D. South Wilmington Grade Separation
- E. I-110 Connectors Program
- F. Ports Rail System

As shown in Attachment 2, a funding plan for each project has been developed to reflect the proposed shares of public, Ports, and industry funds. The industry's share will be used to help cover the costs of final design and construction for each project. The ICF will be imposed on both import and export containerized merchandise excluding empty containers and will be charged to the cargo owners. The ICF rate for non-containerized non-liquid bulk cargo will be determined at a later date. The ICF will exempt liquid bulk since most of it is transported by pipeline.

The ICF calculation takes into consideration that all Port-area highway projects also serve regional traffic, as they are an integral part of the state highway system. The industry's share of the cost of improving highway infrastructure near the Ports is based on the amount of Port-related truck traffic in relation to the area-wide total traffic volume, and on the amount of public funds estimated to be available.

The ICF would result in additional costs to the cargo owners and ultimately be reflected in higher costs of goods shipped in containers. That cost increase is expected to be small. A recent study on container diversion stemming from the Clean Truck Program, prepared by Moffatt & Nichol/BST Associates, estimated the total cost of transporting containers for various types of container moves from foreign ports to domestic destinations. The study revealed that the cost for transporting each container by truck from an Asia port through the San Pedro Bay Ports to a local destination (i.e. California, Nevada, or Arizona) falls between \$2,740 and \$3,710. The cost of transporting one container to a non-local destination by truck would be much higher. The proposed ICF would add approximately 1% to the transport cost.

Collection System

A detailed schedule of container fees for Port-area infrastructure improvements by project and by year is included in Attachment 3. Funding would be required for final design and construction of the I-110 Connectors, the SR-47 Expressway, and rail improvements in 2009, as these projects are expected to receive environmental clearance in that year. Therefore, the ICF would commence January 1, 2009, at \$15 per loaded TEU. With the addition of the Gerald Desmond Bridge in 2010, the ICF rates would reach \$18 per loaded TEU. With an anticipated completion of the SR-47 Expressway improvements in 2011, the ICF rate would decrease in 2012 and continue to decrease as other projects are completed.

The fees have been rounded up to the next dollar to allow for uncertainties in project costs, schedules, and other financial assumptions. The Board may elect to adjust the ICF rate based on a review of project schedules, public funding availability, anticipated expenditures, and the ICF fund balance.

The collected ICF will be deposited in the Port Infrastructure Fund, which is a single, restricted fund to be used exclusively for the approved infrastructure projects by the respective lead agency.

Environmental Assessment

The requested action is the approval of a tariff amendment to establish the ports of Long Beach and Los Angeles (Ports) Infrastructure Cargo Fee (ICF). The ICF is exempt from the California Environmental Quality Act (CEQA) as provided by Sections 15273, and 15061(b)(3) of the State of California CEQA Guidelines.

Future Actions

On December 17, 2007 the Board of Harbor Commissioners approved an “Ordinance of the Board of Harbor Commissioners of the City of Long Beach Amending Ordinance No. HD-1357, Designated Tariff No. 4” amending Section 10 Relating to Clean Air Action Plan Drayage Truck Measures that among other things established a Clean Truck Fee (CTF). Like the ICF, the CTF assessed the fee against the merchandise with the intent that the cargo owner and the ultimate consumer bear the true cost of transportation. The collection mechanism described in the two tariffs is slightly different. Once the ports complete discussions regarding the details of collection, the ports intend to conform the language to reflect a consistent approach to collections. It should also be noted that no decision has yet been made on a potential fee for regional projects.

Recommendation

It is requested that the Board:

- A. Approve the Port of Long Beach ordinance and tariff establishing an ICF to supplement the funding for transportation infrastructure projects.
- B. Direct staff to prepare the appropriate tariff amendments to enable an ICF Tariff commencing on January 1, 2009.

Recommended by:

Approved by:

Robert Kanter, Ph.D.
Managing Director, Environmental Affairs
and Planning

Richard D. Steinke
Executive Director

Attachments