



# Memorandum

**Date:** December 10, 2007

**To:** Board of Harbor Commissioners

**From:** Dr. Robert Kanter, Managing Director, Environmental Affairs and Planning

**Subject:** **Clean Truck Fee Tariff Adoption**

## **Requested Action**

Adopt an Ordinance approving an amendment to the Port of Long Beach Tariff No. 4 modifying the Truck Tariff and establishing the Clean Truck Fee.

## **Background**

On November 20, 2006, the Los Angeles and Long Beach Boards of Harbor Commissioners approved the Clean Air Action Plan (CAAP). A key component of the CAAP is the implementation of a Clean Truck Program (CTP). That program requires that to be admitted to the Ports in 2012 drayage trucks must be replaced or retrofitted to meet the USEPA 2007 emissions standards. The CTP has been the subject of significant public outreach, including public workshops, meetings with stakeholders, both by committee and individually, significant discussion at Board meetings of the respective Ports, and a day-long public hearing before a joint meeting of Los Angeles and Long Beach Boards of Harbor Commissioners on October 12, 2007. As the first key step of a phased implementation of this program, the Long Beach Board of Harbor Commissioners (Board) approved a tariff on November 5, 2007 that will result in a substantial reduction in air pollution through the progressive ban of older, dirtier trucks calling at the Ports.

As the next step in the phased implementation of this program, staff is recommending adoption by the Board of an ordinance that would establish: (i) a Clean Truck Fee to help finance retrofits or replacement of banned trucks, (ii) a Clean Truck Fund to hold such collected monies, and (iii) clarifications to allow Terminal Operators options to confirm compliance with CTP requirements prior to terminal entry by any drayage truck, as defined in the tariff. This action is being coordinated with the Port of Los Angeles.

## **Description of Current Issues**

### *Tariff Implementation of Clean Truck Fee*

In order to generate revenue to help fund retrofits or the replacement of trucks under the CTP tariff requirements a Clean Truck Fee equal to \$35 per twenty foot equivalent unit (TEU) would be assessed on every loaded container entering or leaving the Ports by drayage truck beginning June 1, 2008. The fee would be paid by the Beneficial Cargo Owner. Terminal Operators would collect the fee and remit such monies to the Port. The fee would not apply to containers entering

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or leaving the Ports by train. The fee amount was calculated based on the following assumptions:

1. A fleet of 16,800 drayage trucks would be replaced
2. The fee would be charged on loaded import and export containers (not empties)
3. The fee would not be charged for containers moving by on-dock rail
4. POLB/POLA would contribute \$143 M to truck replacement
5. AQMD would contribute \$36M to truck replacement
6. \$400M in Prop 1B funds would be contributed by the State for truck replacement

The fee, as proposed, would generate a net \$1.6B Clean Truck Fund that the Board(s) would allocate to the replacement of 16,800 trucks by 2012 with clean diesel, LNG, or other approved technologies that can achieve the 2007 standard adopted in the CAAP. The Clean Truck Fee would be collected for a period of 5 years, or until such time as the fleet of Drayage Trucks meets CAAP requirements. Staff would evaluate the program parameters regularly, and could make recommendations for adjusting the fee on an annual basis.

It should be noted that the fee will result in additional costs to the Beneficial Cargo Owner of both imports and exports, ultimately increasing the cost of containerized goods. One way to put the cargo fee in a meaningful context is to compare it to the total cost of transporting container cargo from foreign port to domestic destination. In Moffatt & Nichol/BST Associates earlier study on container diversion stemming from the Clean Truck Program, they estimated the total cost of transporting containers for various types of container moves. These costs were blended to represent several points of origin in Asia and multiple local and non-local destinations. For local cargo moved by truck, the per-box range was \$2740 to \$3710. Accordingly, if \$70 is added to these costs, it would represent 2.2% to 2.6% of the cost to move the goods by truck, and therefore the resultant increase in cost per item carried in the container would be very small.

*Clean Truck Fund*

All monies collected would be used exclusively for replacement or retrofit of Drayage Trucks serving the Ports of Los Angeles and Long Beach.

*Terminal Access*

Terminal Operators would be able to use an Optical Character Recognition (OCR) device, in addition to radio frequency identification devices and other identifiers, to confirm compliance with CTP requirements prior to Terminal access by any drayage truck..

The proposed action is the approval of a tariff amendment to establish a Clean Truck Fee and a Clean Truck Fund in accordance with the Clean Truck Program (CTP). The Director of Environmental Planning has determined that the CTP is exempt from the California Environmental Quality Act (CEQA) as provided by Sections 15301, 15273 and 15061(b)(3) of the State of California CEQA Guidelines.

### **Future Clean Trucks Program Actions**

The proposed CTP has contemplated a permit or licensing program to meet the Port's goals of improving air quality, safety and security, while ensuring reliable drayage service from the two ports. Accordingly, this program would be administered to assure ongoing compliance with CTP requirements without substantial disruption to the movement of cargo through the port. Staff will prepare information and recommendations, to be presented in January or early February 2008 to the Board of Harbor Commissioners. Those recommendations will cover the following program elements:

- A program to register the Licensed Motor Carriers (LMC) that will provide drayage services at the Ports,
- Funding and financing options (i.e. grants, leasing programs, loans, loan guarantees) to help provide capital for truck retrofits or replacements.
- A plan for the successful integration of the U.S. Department of Homeland Security Transportation Worker Identification Credential (TWIC) program.
- An incentive program to encourage companies to invest in 2007 compliant trucks with their own funds and that would perform drayage in the Ports consistent with Port requirements.
- A cargo fee imposed by tariff that would generate revenue to support local and regional port-related goods movement infrastructure. The fee would be separate and distinct from the Clean Truck Fee.

### **Financial Impact**

The Port will likely incur various administrative and operational costs to collect Clean Truck Fees and maintain the Clean Truck Fund.

### **Recommendation**

Environmental Affairs and Planning requests that the Board of Harbor Commissioners take the following action:

1. Approve for first reading the attached "Ordinance of the Board of Harbor Commissioners of the City of Long Beach Amending Ordinance No. HD-1357, Designated Tariff No. 4, by Amending Section 10 Relating to Clean Air Action Plan Drayage Truck Measures". Among other things, the tariff amendment would:
  - a. Implement a Clean Truck Fee to be assessed against containerized merchandise. The Beneficial Cargo Owner would be responsible for payment. Terminal Operators would collect the fee and remit such monies to the Port. The fee would be \$35 per twenty foot equivalent (TEU) on every loaded container entering or leaving the Port by drayage truck;

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- b. Establish that all monies collected under the Clean Truck Fee would be held in a Clean Truck Fund.
  - c. Provide terminal operators with additional options for confirmation of compliance by drayage trucks with CTP requirements prior to terminal entry.
2. Direct staff to return to the Board of Harbor Commissioners in January or early February 2008 with recommendations for action on the following:
- a. A program to register the licensed motor carriers that would provide drayage services at the Ports.
  - b. A funding structure with options for the acquisition and financing of retrofit equipment or replacement trucks that would be compliant with USEPA's 2007 On-road Heavy Duty Diesel emissions standards;
  - c. A plan for the successful integration of the U.S. Department of Homeland Security Transportation Worker Identification Credential (TWIC) program.
  - d. An incentive program to encourage companies to invest in 2007 compliant trucks with their own funds and that would perform drayage in the Ports consistent with Port requirements.
  - e. A framework for a cargo fee to support local and regional port-related infrastructure improvements that would be separate from, and independent of the Clean Truck Fee.

Recommended by:



Dr. Robert Kanter  
Managing Director, Environmental Affairs  
and Planning

Approved by:



Richard D. Steinke  
Executive Director

RK:s

Attachments