

Operation FreeFlow:

The No Tax Solution to Relieve Traffic, Create Jobs, & Improve Air Quality NOW!!!

Developed by Councilmember Steve Adams, City of Riverside, California

Introduction

Flattening job opportunities for less skilled workers. Worsening truck traffic and time spent waiting at train crossings. Expensive delays in getting goods to market. Increasing cancer, heart and respiratory risks from diesel emissions in Southern California.

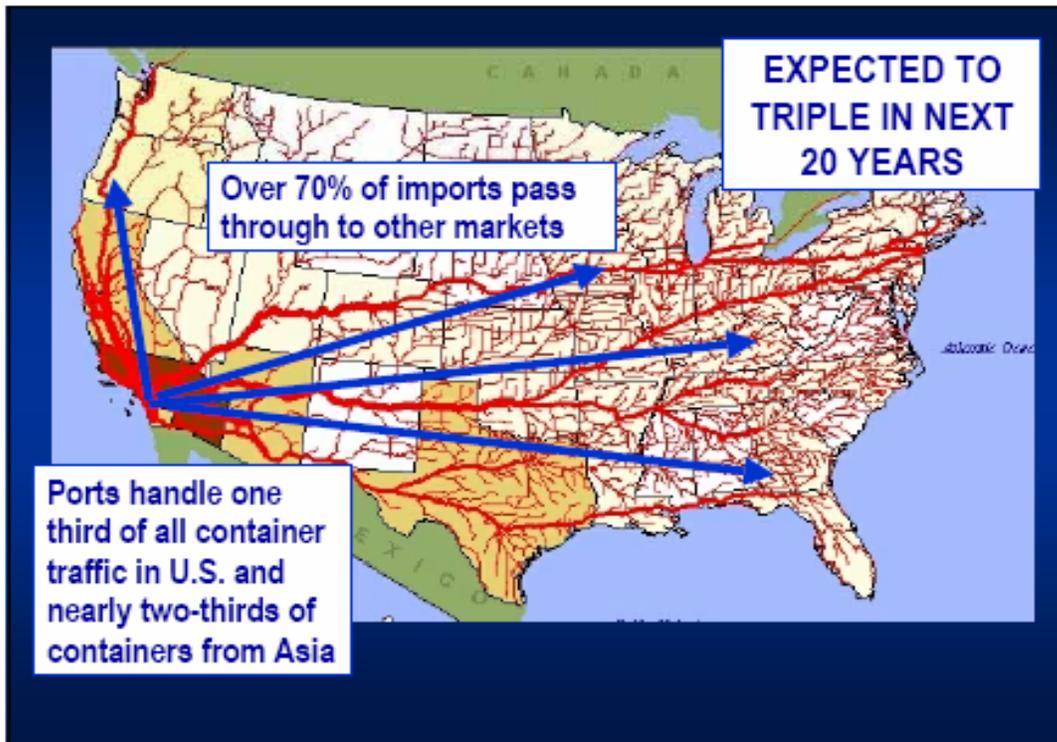
These problems are among the most serious facing Southern California today. Not only do they each pose an individual threat to our economy and quality of life, but together they pose a major threat to Southern California's ability to remain a vibrant and attractive region capable of competing in the world marketplace.

Each of the problems listed above is impacted by one of the region's fastest growing economic sectors – Logistics and Goods Movement.

Nearly half of all of the United States' imports arrive here at the twin ports of Los Angeles and Long Beach. These ports currently receive over 14 million containers per year. By 2030, that number is expected to grow to almost 45 million containers per year. This incredibly lucrative industry currently ships over \$200 billion worth of goods annually through these ports.

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Once off-loaded, containers carrying everything from televisions to bassinets are transferred either onto trains or trucks. 75% of those containers then leave the region entirely, on trains and trucks headed to other states, with over 50% of the containers off-loaded at the Ports of Los Angeles and Long Beach passing through Riverside. To illustrate the point, 60% of the imported goods consumed in Chicago spent time on freeways or rail lines in Riverside on their way to the Windy City.



(taken from: http://www.scag.ca.gov/rtptac/pdf/2005/tac091505_4_2_2.pdf)

But this incredible economic engine have become a victim of its own success, as the impacts to the community in increased traffic and health risks has spawned a backlash against expanding the business of the ports. Meanwhile, the crowding and lack of infrastructure at the ports themselves and on the freeways and rails they rely upon for goods movement are affecting the bottom line of the shippers, the truckers, the railroads, and the retailers who depend on the timely delivery of goods.

This is not a hopeless situation. In fact, there are tremendous opportunities before us. I have identified several concrete steps that can be taken to help us take advantage of the global economy and make life easier for shippers, truckers, retailers, and community residents alike:

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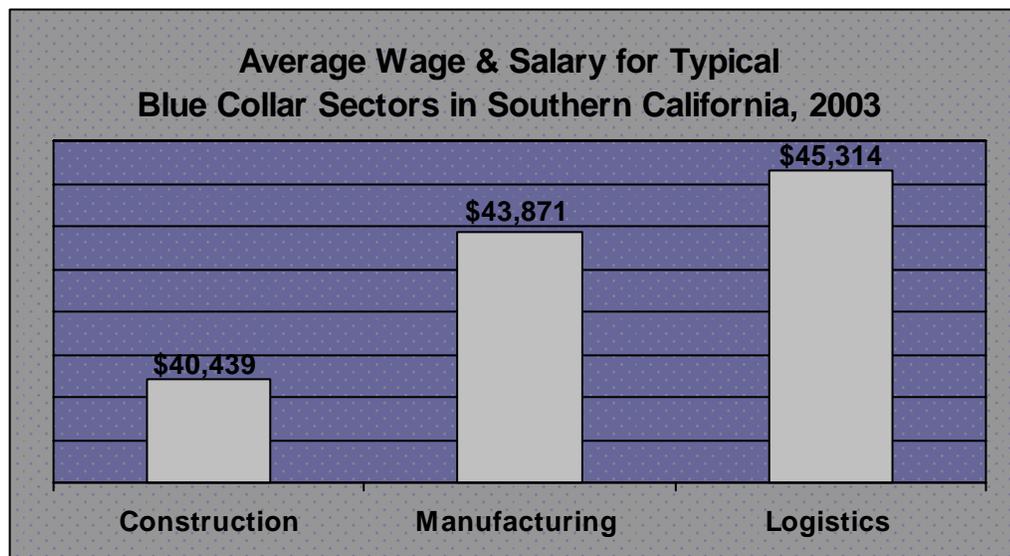
- Create an industry-supported voluntary container premium
- Utilize the future growth in US Customs revenues for infrastructure improvements
- Develop a “24/7” logistics industry based on the 1984 Los Angeles Olympics model
- Build remote inland truck ports that can eventually replace all interstate truck trips from the seaports with cleaner burning short haul trains

By putting together a comprehensive goods movement strategy, we can help solve all these problems and turn a burden into a benefit.

Existing Challenges

- **Flattening Job Opportunities for Less Skilled Workers** – High-school educated workers – workers who once could find blue collar but solidly middle class employment in the construction, aerospace, and manufacturing sectors of the economy - now have far fewer opportunities, due to the closing of factories and the decreased investment in defense spending on military hardware.

A study by economist John Husing shows that the goods movement sector could add one million new jobs in the next 15 years, IF it gets the help it needs in developing additional transportation infrastructure. If not, this sector will stagnate as well, causing significant negative ripple effects on other sectors (retail, entertainment, etc.) and directly damaging consumers around the country by increasing the cost of imported goods.



Right now, nearly 10 percent of all jobs in Southern California are tied to goods movement. The goods movement sector has a \$100 billion impact on the region's economy. It is the highest paying classification of "blue collar" jobs. Each of these impressive and important aspects must be protected to preserve our future and to provide good paying jobs.

- **Worsening Traffic and Travel Times** – Longer commutes, a growing population, and increasing truck traffic have clogged Southern California's freeways and surface streets. A Southern California Association of Governments (SCAG) study shows that the total delay due to congestion is estimated to be 2.2 million person hours per day, and if current trends continue it will worsen to 5.2 million person hours a day by 2030.

The increased number of trains coming from the ports is also causing increased headaches for Southern California residents. In downtown Riverside, the average daily time spent by cars waiting at train tracks is expected to increase from five hours to twelve hours over the next twenty-five years unless something is done to separate the rail crossings from vehicular traffic.

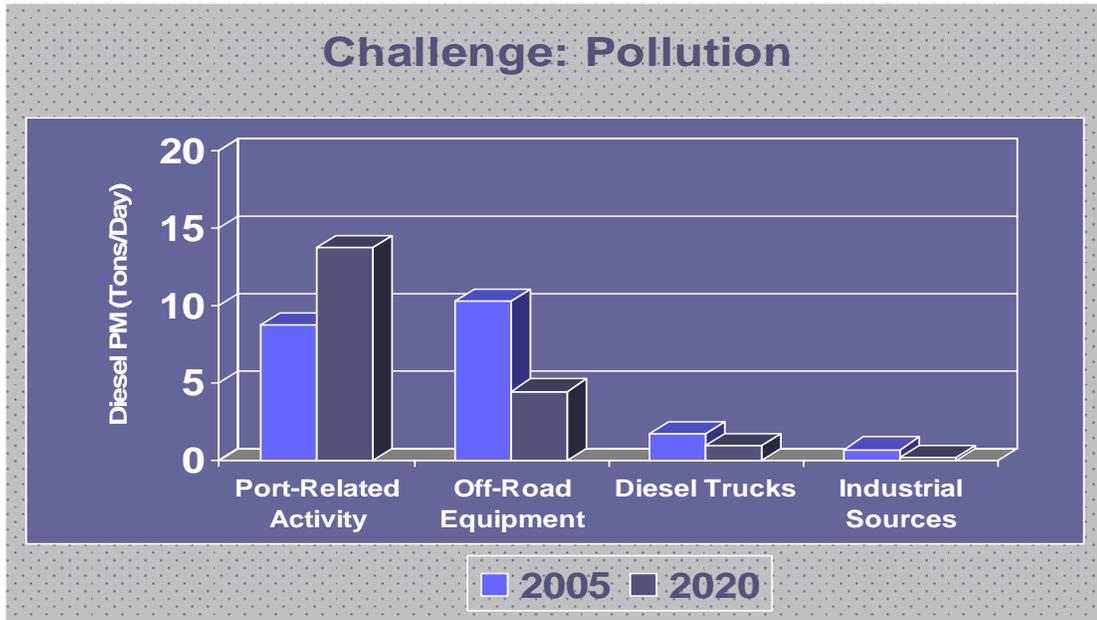
- **Expensive Delays in Getting Goods to Market**—Time is money, and as congestion worsens for commuters, it also worsens for the trucks and trains as well, and these delays can be very costly. Just five years ago, truck drivers were able to make an average of three "turns" (roundtrips) in a shift. That number has already been cut down to one turn per shift due to port and freeway congestion. That means 2/3 less cargo can be moved out of the ports, causing further back-ups and delays.

Lack of rail capacity is causing delays for trains as well. In 2000, the average freight train delay was approximately 30 minutes. By 2010, if no improvements in the system are made, those delays will increase to an average of 200 minutes.

- **Increasing Heart, Respiratory and Cancer Risks from Diesel Emissions in Southern California** – South Coast Air Quality Management District (SCAQMD) studies show that

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diesel emissions are responsible for 71% of the major pollutants contributing to cancer risk in the region. Furthermore, while diesel emissions from other sources are expected to decline over the next 15 years, unless we take action, port-related emissions will become the single largest source of diesel emissions by the year 2020.



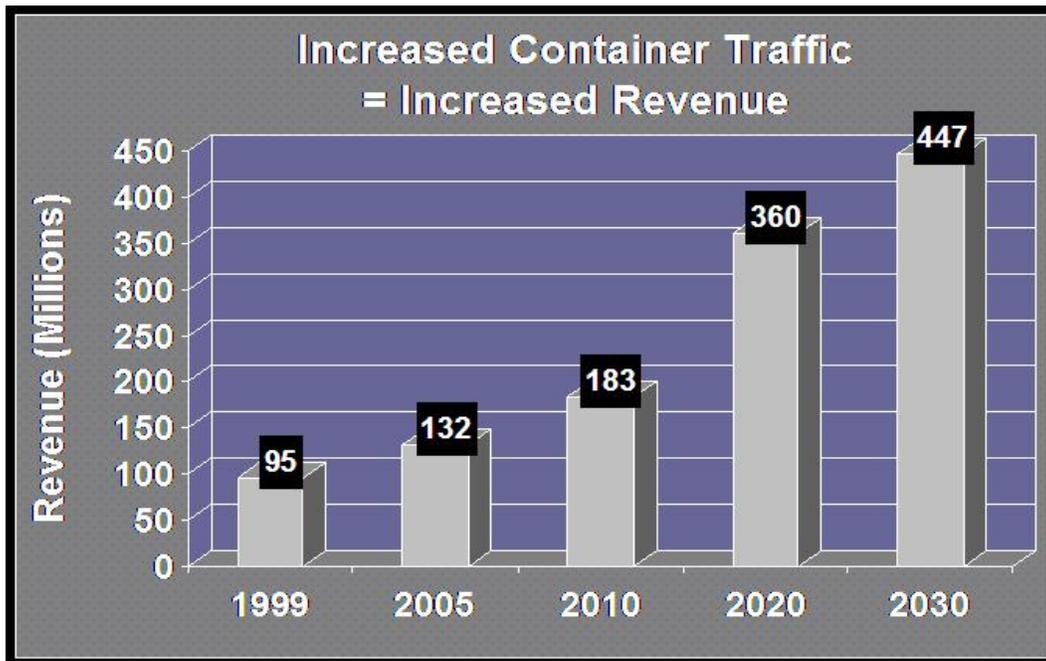
The lack of rail grade separations also creates air pollution problems. In the City of Riverside alone, estimates are that idling cars waiting at unseparated rail crossing will put an additional 45 tons of pollutants into the air annually by 2020 unless something is done.

The Solution: Operation FreeFlow

I have developed Operation FreeFlow as a comprehensive approach that can help solve each of these problems. Through coordinated action and without relying on public taxes or even requiring general obligation bonds, we can begin to work on resolving the goods movement problems within the next two years.

➤ Voluntary Container Premium

A study done by Berkeley Prof. Robert Leachman shows conclusively that a voluntary container premium dedicated to providing infrastructure improvements could raise anywhere from \$140 million up to \$450 million per year over the next 25 years by collecting as little as \$10 per container. There would be no net loss to the goods movement industry and the same study showed that even collecting as much as \$200 on each container entering the twin ports would still provide a greater benefit to their operations than it would cost them. To be conservative, this proposal starts by assuming a \$10 per container premium, to increase the chance that the concept would be embraced by the shippers and decrease any chance of it causing economic harm to the industry.



The Leachman study shows that the improvements that could be made with these revenues would reduce goods movement travel times and other congestion-related costs to the point that retailers, wholesalers, and shippers would actually make more money in cost savings than they would pay in the premium. By investing those funds into the right infrastructure improvements, the time it takes to transport a container from the ports to Ontario could drop by up to 232 minutes, translating into a cost savings of \$280 per

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container—a 28-fold return on investment! When multiplied by 14 million containers per year, shippers save almost 4 billion dollars annually.

The premium could be administered either by an existing or a new Joint Powers Agency. The JPA would collect and spend the premium revenues and set the project list for where and how the money is to be spent. The voluntary, industry-supported nature of such a premium as well as the collection and management of this program is easily based on (or could potentially even use) the existing Alameda Corridor Transportation Authority (ACTA) which already operates a similar program in a similar manner in the ports today. Their success at ACTA proves the possibility of such a program being created and implemented voluntarily if sufficient benefits to the shipping companies can be demonstrated.

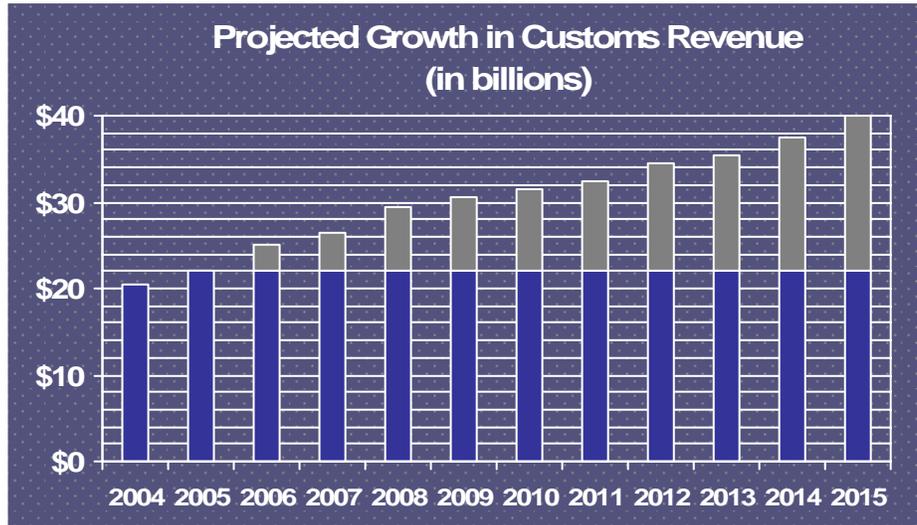
As an example of how this premium can benefit both residents and shippers, a portion of the premium could be set aside to create desperately needed train grade separations, such as at the 27 crossings in the City of Riverside where drivers currently lose 650,000 additional hours per year waiting for trains to go by. And by creating the grade separations, local governments would be willing to permit the railroads to expand their existing track capacity and run more trains per day without disturbing area residents.

Other projects include upgrades to the Alameda Corridor (including East Alameda and East East Alameda), the construction of dedicated truck lanes, inland truck ports, port improvements, subsidies for purchase of cleaner burning trains, trucks and equipment, and other projects that could improve the efficiency and decrease the impacts of the goods movement out of the ports.

Talks have already begun between government agencies and the logistics industry to enact this premium. These talks must be encouraged by each and every agency impacted throughout the region. By securing buy-in from the shippers and retailers, we could begin collecting these desperately needed funds by January 2007.

➤ Utilize Future Customs Revenue Growth

In the next ten years, revenues collected by the US Customs Service from import duties will increase from \$21 billion to \$40 billion. Approximately half of that increase will be from increased receipts at the Ports of Long Beach and Los Angeles.



Added together, the increase in duty revenue would total approximately \$75 billion over the next decade. By applying a portion (as little as half) of this increase, that money could be earmarked for infrastructure improvements around the nation without having to cut programs that currently rely on Customs funding. Assuming Southern California accounts for half of the growth, and the funds were distributed equitably across the nation's port infrastructure systems, that means such a plan could generate about \$18 billion in funds for infrastructure improvements locally.

As the current estimate of the cost to make all of the necessary infrastructure improvements in Southern California is about \$36 billion, those new funds would be able to fund about half of that need.

One of the best aspects of this approach is that it does not involve proposing a new tax, but simply applying a portion of the future income growth that comes from increased trade. In fact, by dedicating Customs revenues to infrastructure improvements, we can

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make free trade pay its fair share, and shift the burden of fixing the problem squarely where it belongs – overseas. We can turn the trade deficit into a national transportation, jobs and economic stimulus benefit program.

The funds could be administered by the above-mentioned JPA and could help fund such projects as the extension of the PierPass program, environmental mitigation associated with the infrastructure improvements, direct port improvements, and any of the other projects necessary to improve goods movement from the ports and on their journeys through Southern California.

Talks have already begun between local (including the City of Riverside) agencies and the Customs Service. This will be a national benefit, turning the trade deficit into a national transportation, jobs and economic stimulus benefit program. As this effort would benefit other regions of the country, by directing other new Customs revenues to ports in Houston, New York, Miami and Washington, talks are also underway with other port authorities around the country to form a broad-based support coalition at the federal level. Furthermore, since the timely delivery of retail goods to market benefits consumers and businesses nationwide, this should not be perceived as benefiting only coastal regions.

With cooperation from the Congressional delegations, this earmarking of Customs revenue growth could occur during the next Congress.

➤ **24/7 Goods Movement—The ‘84 LA Olympics Model**

Unlike many other sectors of the economy, until very recently the goods movement sector operated locally during regular weekday, daylight business hours only. This has hampered the growth of the industry and placed undue strain on the transportation infrastructure system, creating competition between truckers and railroads and the general commuting public.

There is a need to create an atmosphere that encourages goods movement, like so many other sectors of our regional economy, to operate around the clock – “24/7.” While

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ancient Rome banned all cart-based deliveries during daylight hours to avoid just this problem, we do not propose to go quite as far.

During the 1984 Olympics in Los Angeles, deliveries were done during the evenings and overnights to keep truck traffic off the freeways during peak times. Despite tens of thousands of visitors and tourists to Los Angeles during the Olympics, there was a notable decrease in congestion on the freeways, and what was feared to be near certain gridlock during the games turned into a remarkable easing of traffic. Much of this was attributed to the shifting of large truck traffic to off-peak hours.

Not only does a 24/7 system help commuters immensely, it also helps the industry. For example, truck travel times between the twin ports and Southern California warehouse and trans-shipping districts can be more than 40 percent less at night, translating into a savings in the billions of dollars, the Leachman study shows.

Specifically, it is estimated that a nighttime delivery of a container from the ports to Ontario could save more than \$300 compared to a daytime trip. If half of the trucks currently moving out of the Port took advantage of this plan, they could save as much as \$7 million a day. Additionally, retailers dependent upon “on-time” warehousing models would benefit through greater inventory control and flexibility.

The PierPass program has begun the process of opening up the night to goods movement by offering discounts to shippers willing to work after hours. They are having some remarkable early successes, with removing over a half million daytime truck trips from Southern California roads in the first three months. In fact, they are almost two years ahead of schedule in diverting 24% of the daytime truck traffic to off-peak hours. Their PierPass must be extended not only to 24/7 status, but those discounts must be increased.

Furthermore, surveys of truck drivers indicate that there is still too much congestion at the ports themselves in the evenings, and more investments in manpower and infrastructure must occur to make the evening trips worthwhile for the truck drivers.

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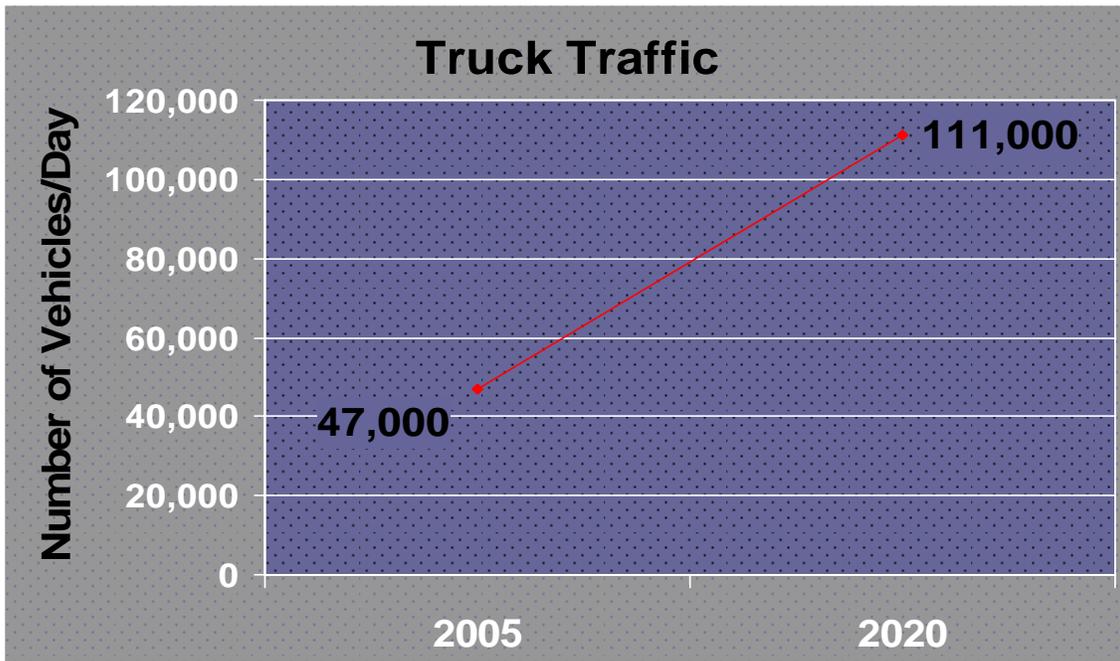
Financial incentives for the drivers themselves may also have to be considered to gain the full support of the trucking companies.

Another key part of this step is convincing cities and counties that currently have nighttime delivery bans to change their ordinances. Over 75% of truck traffic trips are less than 50 miles in length, so ensuring that these drivers have access to the warehouses or distribution centers for drop-offs are key to making the program work and allowing the truck drivers to make multiple “turns” in a single shift.

In the coming months, as the container premium and customs revenue utilization proposals are working their way through Sacramento and Washington, goods movement advocates should begin to “socialize” the idea of ending nighttime delivery bans through their network of contacts and begin to make presentations to certain key cities, such as Ontario. This step can be done with a minimum of money and no state or national legislative intervention.

➤ **Remote Inland Truck Ports**

Projected Increase in Truck Traffic on Hwy 60 over the Next 10 Years



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Truck traffic on Highway 60 through Riverside County is expected to increase from 47,000 trucks per day now to 111,000 a day in 2020—one-third of the total vehicle traffic on the freeway. In fact, 1.3 million containers per year are trucked to warehouses in the Inland Empire—that's two containers for every household in Riverside County! To deal with this problem, the final proposal in our plan calls for the establishment of remote inland truck ports serviced by short-haul rail. Once completely developed, they could eliminate the need for long haul trucks passing through Los Angeles, Riverside, and the urban areas of San Bernardino entirely.

These could be established at locations outside of the LA Basin and away from the congestion of urban areas such as the existing Southern California Logistics Airport (SCLA) in Victorville, the Antelope Valley Freight Transfer Center (AVFTC) in Lancaster, or even at the Nevada or Arizona state lines.

They could be served by short haul rail services, displacing 200 trucks per run. By using newer Liquefied Natural Gas powered locomotives, they could also reduce almost 70 tons of NOx emissions for every train that ran. Instead of storing goods at the seaports in expensive and congested warehouses, the containers would be taken directly from ship to train, then taken to these inland truck ports where distributors, retailers, and long-haul rail and trucking companies could maintain warehouses and loading areas for more efficient delivery of imported goods.

By eliminating the freeway traffic and the port storage, shippers and distributors can save time, better control their inventories, promote cleaner air and avoid the hazards of sharing the freeways with commuters in Southern California.

While truck ports and logistics centers like the SCLA and AVFTC are already in development, this proposal may take longer to fully implement, as new short haul rail corridors need to be developed, and infrastructure will have to be built to handle the truck and rail traffic that will come. But this infrastructure can be built for less money, with less

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environmental impact, and with more chance of handling the necessary increases in capacity than attempting to expand the facilities at the Ports of Long Beach and Los Angeles.

Next Steps

In dealing with such a complex and multi-jurisdictional issue as transportation infrastructure, unity, organization, and focus are the keys to success. Cities, counties, COGs and private industry must work together on this issue. As we unify regionally, we must also begin to build statewide and national support coalitions for issues such as the utilization of Customs revenue growth for goods movement nationwide.

We must plan ahead. We must know exactly where the money is coming from, where it is going to be spent, and who is going to do the spending. We must finalize the form of the JPA, and we must finalize the project lists for each component of the plan in a systematic and logical way.

We believe that we now have a golden opportunity to do more than just plan and talk, but to act and succeed. In the Inland Empire we have powerful Congressional members in key positions in Washington D.C., we have a demonstrated and widely acknowledged need, and we have the interest of an industry that knows it must participate in fixing these problems. If we fail to take advantage of this confluence of influence and power, we will not have served our constituents well. By implementing the reasonable and practical proposals contained here in Operation FreeFlow, we can truly turn the burden of trade into a benefit for our region and the nation!

For More Information on Operation FreeFlow:

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