Port of Seattle Clean Truck Prograni

Industry Situation

February 5, 2009

THE INDUSTRY

1. Industry prefers Southern California as a gateway and the Pacific Northwest's niarket share has steadily declined.

2. PMSA comment, 1/27/09: Canadian gateways have gained. The Panama Canal expansion is due to be complete in 2014 and there are serious concerns about cargo diversion then. Mexico is still planning to develop west coast ports to attract cargo for entry into the U.S. market.

3. PMSA comment, 1/27/09: 60% to 70% of Seattle and Tacoma's container cargo is headed inland to the Midwest (combined domestic and international). If segregated by international and domestic, the discretionary percentage is likely higher.

4. Ships landing Seattle or Tacoma also discharge local cargo; if the ships land elsewhere our local cargo would require expensive trucking to our region, an economic disadvantage.

5. Seattle and Tacoma offer good export opportunities to cargo carriers but requires empty containers (from the imports) to carry that cargo.

6. Seattle and Tacoma are a discretionary cargo ports.

7. Ocean Beauty Seafoods comment 1/9/09: Shippers will support the goal of reducing emissions to improve air quality; however, the shipper community needs a dependable and cost effective drayage resource to support continuing volunies through the Port

8. Seattle, Tacoma and Vancouver Canada established a clean air program for the region with specific goals and dates for reducing emissions from container trucks; this plan was adopted in January 2008.

9. Because many of the trucks serving Seattle also serve Tacoma, any program seeking to clean trucks must be consistent between Seattle and Tacoma; otherwise the dirtier trucks will be driven to the port not cooperating.

10. Recently 'the Southern California gateway has added several per-container fees to cargo there, with others under consideration, to help pay for their clean truck program, which is also supported by a large public commitment through bonds. The Ports of Los Angeles and Long Beach are implementing the Clean Truck Fees in February, per approval by the FMC.
    - PMSA comment 1/27/09: POLA is currently offering incentives or a "cargo bounty" for new cargo coming to the port, reducing fees and Port of NY/NJ is now offering a bounty as well.
    - Ocean Beauty Seafoods comment 1/9/09: Shippers will not support imposition of user fees as many well managed carriers have already made the capital investment necessary to meet or exceed existing standards

11. Those fees have not yet diverted cargo although they now total nearly $100 per container. Recently additional fees have been delayed because of the economic downturn and a feared loss of cargo through Southern California.
    - PMSA comment 1/27/09: Ports of Los Angeles and Long Beach are far less discretionary than PNW ports because of population density. Additionally, many would argue that there has been diversion of cargo already given the reduction and market share losses and cargo routing looking to avoid the costs and uncertainties surrounding California gateways particularly LA/LB.

12. A 2007 Economic Study found that the container cargo sector in Seattle supported over 9,000 direct, indirect and induced jobs (which include 1,600-2,000 trucks serving the ports of Seattle and Tacoma). "FINAL DRAFT 2007 Economic Impacts of the Port of Seattle, Martin Associates, January 12 2009."

13. A diversion study found that raising the cost in Seattle only $30 per full container would send 30% of Seattle's cargo elsewhere; raising the cost $100 would divert up to 50% of Seattle's cargo. "Draft Port and Modal Elasticity of Containerized Asian Imports via the Seattle-Tacoma Ports" Jan 3, 2008; page 14 Figure S-2 "Final Review of Dr. Leachman's Port and Modal Elasticity Report", by BST Associates, January 4, 2008; Memorandum to JTC Staff from Christopher Wornum, Cambridge Systematics, Inc, January 7,2008
    - PMSA comment 1/27/09: The Leachman study was unable to measure diversionary impacts under the $30 per TEU threshold. When results were submitted to the legislature the Joint Transportation Committee decided to not take a chance on cargo diversion and abandon the container tax.
    - Coalition for Clean and Safe Ports comment 1/27/09: On page 16 of that study, Dr. Leachman observes *"[i]nstitution **of container fees without offsetting fees at other West Coast ports seems unwise. However, as fees are instituted at the California ports, they may be matched at Puget Sound in order to create a revenue source for infrastructure improvement and environmental impact mitigation without loss of market share...***" Since Dr. Leachman's study more than a year ago, the Southern California ports - which handled 69% of containers moving through the West Coast in 2007 - have instituted fees of up to $236 per FEU.

14. There are no barriers to entry to the truck fleet
    - There were 1,600 – 2,000 trucks serving ports of Seattle and Tacoma before the recent economic downturn
    - 400 of these trucks were pre-1994 based on an August 2008 analysis. PMSA comment 1/27/09: The reduction of cargo throughput may very well have made this number lower but another inventory will tell. Also TWIC implementation at the end of February will lead to the loss of some drivers though it is uncertain how many of those will be owners of pre-1994 trucks.
    - Since 2004 the numbers of truckers increased 40% with cargo growth
    - Today the fleet of trucks has 15% less business available than in 2004-2005 because cargo volumes through Seattle have declined 15% (with an additional 10% decline expected in 2009)
    - If 400 trucks left the population the remaining trucks would have available, per truck, the business volume they had pre cargo decline
    - With cargo declines expected further in 2009 (10%) up to 400 trucks may leave the fleet because of insufficient work
    - Today we have too many trucks chasing declining volumes
    - PMSA comment 1/27/09: ILWU shifts have declined 10% from 2007 to 2008. Shipping sources expect further declines in 2009 and at least part or 2010.

15. Trucker incomes vary
    - The Washington Trucking Associations reports a median net income after all expenses for drayage trucks of $ 50,000 a year, with a range of $25,000 - $85,000
    - Proformas based on trips/day consistent with the driver survey conducted fall 2008 indicate net incomes after all expenses of $45,000 - $85,000. Source: data from Port of Seattle trucking companies.
    - The driver survey conducted fall 2008 (56 answers) reported average net income of $34,000/year – owner/operators $36,000/year and employees $23,000/year

16. Coalition for Clean and Safe Ports comment 1/27/09: The document presents data from a survey of drivers conducted by port staff and terminal operators last fall. The results, though, are unrepresentative. Port staff working on truck parking issues this fall identified over twenty companies providing drayage services in Seattle, including all of the largest. None provided free parking facilities and only one used employees for a portion of its drayage business. If, in fact, 44% of drivers were employees or 51% parked in company-owned lots, the Port would not be facing many of the industry-related problems it is now seeking to address.

17. Truck replacement availability
    - Newer trucks (post 1994) can be purchased for $20,000-25,000.
    - Some loan programs are available.
    - It is expected that by 2015 post 2007 trucks will be available for $30,000-35,000.
    - New trucks cost $100,000-$140,000

18. Truck impacts
    - Truck emissions are less than 1% of DPM (diesel particulate matter) in Puget Sound.
    - Drayage trucks represent 3% of DPM portion of maritime emissions and less than 1% total DPM emissions in Puget Sound Airshed

Drayage trucks represent 3% of total heavy duty trucks operating in Puget Sound Airshed

- Coalition for Clean and Safe Ports comment 1/27/09: The document minimizes the impacts of truck emissions by reporting those emissions only within the context of the very large Puget Sound air shed. Concentrated neighborhood impacts need to be addressed. The great bulk of truck traffic servicing the port, however, occurs along major arteries around SODO, Georgetown and South Park, a roughly six square mile area and between the Port and the Green River Valley warehouse district, a roughly 14 square mile area.

  Ocean Beauty Seafoods comment 1/9/09: Most carriers engaged in pier drayage activities operate company-owned equipment that meet higher emission standards than called for in the plan. Those same carriers also require owner-operators to have equipment that meet or exceed emissions called for in the plan. Shippers insist that carrier vendors operate in a safe manner and operate equipment that is in full compliance with State and Federal regulations.

  Ocean Beauty Seafoods comment 1/9/09: Those carriers operating old equipment (company owned or owner-operator) typically handle rail shuttles, shuttles to drop yards or trans-load facilities or local dray to shippers in the adjacent areas to the port.

19. Fee impacts

   The concession/employee model imposed at Los Angeles will add at least 40 percent to the cost of a dray according to Dr. John Husing's "Economic Analysis of Proposed Clean Truck Program." Other reports ("Daily Breeze" 9/11/2007) state that motor carriers would have to increase their prices $75 to $150 per move.

   The cost of a dray in Seattle is $65 for a rail transfer and about $160 for a trip to a distribution center.

- Increasing these costs 40% adds a minimum of $26 to the cost of handling a Seattle container to the rail ramp and $64 to a distribution center.

  These added fees will divert 30 percent of Seattle's containers based on available studies (Leachman Study)

  If there is a direct link between container volume and family wage jobs, the job impact of cargo diversion will be 30% of the 9,000 container jobs linked to the Port of Seattle - 2,700 jobs will be lost.

  Coalition for Clean and Safe Ports comment 1/27/09: Husing did predict cost increases for drays once a trucks program was adopted. But, contrary to the document's claims, Husing predicted increases under both "independent owner-operators" and employee models. Those projections were, moreover, due to several factors in addition to a contemplated trucks program, among them TWIC requirements, the tight labor market for skilled truckers, and huge projected increases in cargo volumes. This combination of factors is obviously unique to the indigenous circumstances of the twin mega-ports of Southern California and has only limited application to the situation in Seattle.

20. In the opinion of the Port of Seattle Legal team, the Port does not have regulatory authority to turn back trucks at the gate without state law changes.

   Coalition for Clean and Safe Ports comment 1/27/09: The document restates the staff position that the Port lacks authority to set conditions on the use of Port property. As has been presented to the commission before, this unconditional assertion is an inaccurate assessment of the Port's legal rights. Minimally, the Commission and the public need a full assessment of the legal opportunities and risks presented by the full range of trucks programs under consideration.

- Ocean Beauty Seafoods comment 1/9/09: Pier to rail drayage services are typically contracted for by ocean carriers, intermodal contractors (IMC's) or 3PL operators, not necessarily the cargo owners. Implementation of emission standards could perhaps be written into the equipment interchange agreements (UIIA or ocean SIA) thereby avoiding risk of legal action.

Sources:

Economic Impact Study 2007 and Impacts of **Jobforce**

5,000 direct container jobs

3,000 induced jobs (proportion from table p. 16)

1.000 indirect jobs (proportion from table p.16)

9,000 jobs

Assumption that container cargo increase/decrease percentage causes equal impact on jobs at the most. To be conservative let's say that jobs decline one half as much as container volume.

Leachman Study $30/TEU charge = 30% loss of cargo

Assumption: Any per-box charge will divert cargo

Job loss compared to cargo diversion if equal	10%	20%	30%
	900 jobs	1,800 jobs	2,700 jobs
Job loss compared to cargo diversion if one-half	10%	20%	30%
	450 jobs	900 jobs	1,350 jobs

Cargo Diversion Study, Dr. Robert C. Leachman, January 3, 2008

p. 64 "Fees in the range of $30-$90 per TEU provide incentive to shift to other ports 30% of imports currently routed via Puget Sound."

Moffat & Nichol, Container Diversion and Economic Impact Study, p. 4 BST Associates portion:

"Dr. John Husing, Economic Analysis of Proposed Clean Truck Program, recently estimated that truck routes could increase up to 80% after implementation of the Clean Truck Program. However, if the effect of TWIC...are excluded, the increase in trucking costs relative to trucking costs at other ports is actually closer to 40%."

Daily Breeze, Sept 11, 2007: "Husing's study suggests that to cover increased business costs, motor carriers would have to increase their prices by $ 75 to $ 150 per move."

Revised: 2/5/2009

Port Drivers Performa Example

Source of data: Port of Seattle Trucking Firms

5 day work week (many work six dayslweek)

9 hour day 48 weeks/year 240 days

Fuel $2.50/gallon 5 miles/gallon

Maintenance = $15/day

Truck payment/year $12,000 per workday $50

Truck insurance/year $ 8,100 $24

#1 Rail Drayage Monday-Friday work week

Turns/workday 6

Miles/turn 4

Miles/day 2415 = 4.8 gallons

Net to driver/day	$50.00
Fuel $2.50 x 4.8 gallons	12.00
Insurance	34.00
Truck payment	50.00
Maintenance	15.00
Daily Expense	$111.00
Revenue to driver 6 days x $50/day	300.00
Net revenue/day	189.00
Annual net pay: 240 days x $189/day	$45,360.00
If work 6 dayslweek: 288 days x $189/day	$54,432.00

May be more if no need for truck payment, insurance, fuels

#2 Rail Drayage Friday-Tuesday work week

Turnslworkday	7.6	3 days @ 6+1 day; 2 days @ 10+1 day
Miles/turn	4	
Miles/day	30.415	6 gallons

Net to driver/day	$50.00
Fuel $2.50 x 6	15.00
Insurance	34.00
Truck payment	50.00
Maintenance	15.00
Daily Expense	$114.00
Revenue to driver/day 7.6 days x $50/day	$380.00
Net revenue/day	266.00
Annual.netpay: 240 days x $266/day	$63,840.00
If work 6 days/week: 288 days x $266/day	$76,608.00

May be more if no need for truck payment, insurance although average drays/day will drop due to lower average with one more 6 dray day added.

#3 Summer average @ 3 RT/day (3 RT = 180 miles = 36 gallons)

Fuel 36 gallons x $2.50/gallon	$90.00
Insurance	34.00
Truck payment	50.00
Maintenance	15.00
Daily Expense	$189.00
Revenue @ $143/day	428.00
Net revenue/day	239.00
Annual net pay 240 days x $239/day	$57,360.00

Revised: 2/5/2009

#4 Summer average 4 RT/day (4 RT = 240 miles = 48 gallons)

Fuel 48 gallons x $2.50/gallon	$120.00
Insurance	34.00
Truck payment	50.00
Maintenance	15.00
Daily Expense	$219.00

Revenue 4 turns @ $143/day	$572.00
Net revenue/day	353.00
Annual net pay: 240 days x $353/day	$84,720.00

Revised: 2/5/2009

Coalition for Clean and Safe Ports comment 1/27/09
Source: Interviews with port truck drivers from Pacer Cartage, Western Ports, Roadlink and Shippers Express on 1/22/09

SEATTLE PORT TRUCK DRIVER ESTIMATED INCOME

		Costs	Income
	Gross Weekly Income*		800 – 1200/week
	Gross Annual Income*		40,000 – 60,000/yr
Fixed costs	Fuel*	50 – 100/wk	
	Insurance*	170/wk	
	Tonnage	45/wk	
	Radio/phone	20/wk	
Variable costs	Maintenance*	100 – 200/wk	
	Truck payment*	50 - 100/wk	
	Parking*	0-50/wk	
	Minimal health insurance*	0- 100/wk	
	Net Weekly Income*		165/wk – 615/wk
	Net Hourly Income*		**3.00/hr – 11.18/hr**
	Net Annual Income*		18,250 – 30,750/yr
Taxes	Highway tax	566/yr	
	Federal taxes (*.15)	5653 – 4528/yr	
	Net Take Home Pay		**15,031 - 25,646/yr**

Weekly Income = $40/container is the standard rate for rail and short distance hauls; 20 - 30 hauls/week is an overestimate under the current economic conditions. For longer distances, drivers are paid $50 - $150/container but make fewer turns and are paid more for fuel. Drivers are paid the same for hauling two 20' containers or one 40' container, although trucking companies are paid more by shippers.

Fuel = $2.50/gallon. Mileage and fuel efficiency vary. Trucking companies often keep most of the fuel surcharges charged to shippers and do not pass the money on to the drivers, who must absorb the higher fuel costs.

Insurance = Drivers pay trucking companies or brokers for weekly insurance coverage of the container during transit. That insurance does not cover "bobtail" when the truck is parked or traveling without a container. Reportedly, some trucking companies keep these payments and only insure part of their fleets at a time.

Maintenance = Drivers are responsible for all repairs, including replacement of container chassis, which are supplied by the shippers and often break. Many port trucks are in disrepair with broken lights, bald tires, and frequent engine failures.

Truck **payment** = The Port of Seattle proposes to charge drivers $200 - $500 per month to lease a retrofit truck from Cascade Sierra Solutions, a private non-profit firm.

Parking = Drivers are responsible for parking. Some trucking companies, such as Roadlink, charge drivers for parking in their lots. Most drivers park along the streets in local neighborhoods

Health Insurance = Most drivers do not have health insurance and are not eligible for L&I (worker's compensation) because they are misclassified as independent contractors. Drivers are exposed to dangerous working conditions while moving heavy containers, breathing diesel fumes, and driving poorly maintained trucks.

Hourly Income = Assumes a 55 hour work week, which is an underestimate. Many drivers line up for assignments at 4am and end work at 5pm for a total of 65 hours/week in a 5-day work week.

Annual Income = Assumes 50 full working weeks/year. Because of holidays and other port closures this is an overestimate.

Source: Interviews with port truck drivers from Pacer Cartage, **Western Ports,** Roadlink and Shippers **Express on 1/22/09**

Revised: 2/5/2009