



**The Written Statement of
Richard Steinke
Executive Director
Port of Long Beach**

**Before the
House Committee on Transportation and Infrastructure
Subcommittee on Highways and Transit
and the
Subcommittee on Railroads, Pipelines and Hazardous Materials
United States Congress
"Freight Challenges in Southern California"**

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Mister Chairman and Madam Chairwoman. Members of the Committee. My name is Richard Steinke and I am the Executive Director of the Port of Long Beach. Thank you for the opportunity to speak before the House Committee on Transportation and Infrastructure's Subcommittee on Highways and Transit and the Subcommittee on Railroads, Pipelines and Hazardous Materials to discuss an issue that is vital to the Port, the State of California and the nation - "Confronting Freight Challenges in Southern California".

As the second largest containerized seaport in the United States, the Port of Long Beach is a major gateway for U.S.-Asian trade and a recognized environmental leader, with industry-leading programs such as the award-winning Green Port Policy. The Port is also an innovative provider of state-of-the-art seaport facilities and services that enhance economic vitality and improve the quality of life and the environment. Combined with our neighbor, the Port of Los Angeles, we are the fifth largest port complex in the world. In 2008, the Port of Long Beach handled more than 6.4 million containers, also known as TEUs for Twenty Foot Equivalent Units. Combined with Los Angeles, both ports handled over 14 million TEUs, which represented over 40 percent of all containerized goods entering United States ports. Although volumes were down significantly at the Port of Long Beach, from 2008 to 2007 (20 percent), it is essential that solutions to the nation's ailing transportation and rail systems be addressed.

The ports of Long Beach and Los Angeles, also known as the San Pedro Bay Ports, are the leading gateways for goods entering the U.S. from foreign markets. Port operations support approximately 1.4 million jobs nationally and provide consumers and businesses with billions of dollars in goods each year. About \$4 billion a year is spent in the U.S. for port-industry services and trade valued annually at more than \$100 billion moved through the Port of Long Beach in 2008.

Consumer products such as clothing, shoes, toys, furniture and electronics enter the Port before making its way to store shelves throughout the country. In addition to containerized cargo, the Port of Long Beach handles a diverse cross-section of specialized cargo that include: petroleum, automobiles, cement, lumber, steel and other products. A majority of the consumer products and

some bulk cargo entering Long Beach, are transported from the port via rail and truck throughout the region and to destinations around the country.

In 2007, the ports of Long Beach and Los Angeles and the Alameda Corridor Transportation Authority commissioned a Trade Impact Study which found that goods entering the San Pedro Bay Ports end up making its way to every Congressional District in the United States. In particular, the study looked at the jobs, state and local taxes generated directly and indirectly by goods moving through the port complex to solidify that we are truly “America’s Ports”.

Due to the geographic location of the port complex, the ports of Long Beach and Los Angeles are well positioned in relation to the transportation and rail infrastructure system that transports products throughout the region and the country. Both ports are expected to meet the growing demand for international cargo which is estimated to reach over 35 million TEUs by 2020. These forecasts take into consideration construction of new West Coast Ports in Canada and Mexico, a new set of canal locks in Panama, currency fluctuations, and economic changes in the United States and Asia. Cargo forecasts are rarely accurate and have been consistently under-predicting growth for the last 20 years. The San Pedro Bay Ports’ cargo growth rates are not restrained by external factors, but by limits to terminal facilities, transportation and rail infrastructure. A combination of deteriorating infrastructure, insufficient rail capacity due to terminal logistics issues, as well as community opposition to port projects, will make it challenging to meet the freight needs of the future. That is why as a catalyst for innovative environmental and goods movement programs, the Port has worked closely with the Port of Los Angeles, as well as regional and national transportation and air quality agencies to develop and implement a comprehensive environmental and transportation infrastructure system to address freight issues in Southern California.

Clean Air Action Plan

In November 2006, the Long Beach and Los Angeles Board of Harbor Commissioners approved the Clean Air Action Plan (CAAP), a Plan to reduce emissions associated with port operations by more than forty five percent over a five year period. In order to mitigate the environmental impacts of freight movement, the CAAP is the most comprehensive air quality mitigation plan

being implemented at any seaport complex in the world. The CAAP is expected to cut particulate matter pollution, nitrogen oxide and sulfur oxides from source categories that include ocean going vessels, harbor craft, cargo handling equipment, railroad locomotives and heavy-duty trucks. As part of the CAAP, over the next five years, the San Pedro Bay Ports will require 16 switching locomotives and thousands of pieces of cargo handling equipment be replaced or retrofitted to meet or emit below USEPA emissions standards, require cargo and cruise ship terminals to be equipped with shore-side electricity, replace almost 17,000 drayage trucks operating at the port, as well as look at new technologies to help further reductions from freight/port-operations.

Freight Movement

Due to the environmental impacts related to cargo movement, the demand for foreign goods, the Port's geographic location near national highway and rail systems, as well as the forecasted increase in cargo movement through the San Pedro Bay Ports, the Port faces a number of challenges in the coming years. These challenges to freight movement also include a failing surface transportation infrastructure system, the need for improved rail infrastructure, a lack of investment in the nation's goods movement industry and the need for a national freight policy. Although there are significant challenges to freight movement in Southern California, the Port remains dedicated to looking at new and innovative ways to implement a comprehensive freight mobility plan that will move goods efficiently, while also mitigating the environmental impacts of freight movement.

In an effort to improve the efficiency of freight movement, the Port of Long Beach has taken a number of highway, rail and transportation factors into consideration.

Rail Infrastructure

Cargo transported via rail has significant environmental benefits and as a result the Port has encouraged terminal operators to place more cargo on rail. Transporting containers via rail has become the optimal form of goods movement for most industries. From manufacturing, retail, construction and automotive to petrochemical, technology and agriculture, hundreds of industries require reliable and dependable shipments of products. The primary source of transport for these

goods from the port complex is by rail through the Alameda Corridor and out of California by the transcontinental rail systems operated by Union Pacific or the Burlington Northern Santa Fe Railway.

As a significant intermodal and environmental mitigation project, the twenty mile long grade separated Alameda Corridor, connects the ports of Long Beach and Los Angeles to the intercontinental rail yard in downtown Los Angeles. Since opening in 2002, the Alameda Corridor has been a successful method to transport cargo because it eliminated over 200 rail crossings, providing congestion relief and improving the efficiency of cargo movement from the ports to the rest of the nation. Every train using the Alameda Corridor can eliminate 700 to 750 truck trips from local freeways.

Portions of the existing rail and transportation system within and adjacent to the Port complex is becoming constrained and will worsen due to cargo growth, as well as community concerns about port growth and implementation of new port terminal enhancement projects. To off-set some of these concerns, the CAAP requires any new rail yard developed or significantly redesigned at the San Pedro Bay Ports to operate the cleanest available technology for switcher, helper, and long-haul locomotives, utilize idling shut-off devices and exhaust hoods and use only ultra low sulfur diesel or alternative fuels. In addition, together with the Port of Los Angeles, the Port of Long Beach completed the *San Pedro Bay Ports Rail Study Update* in 2006 to address the current and future rail capacity issues. In particular, the *Study* identified rail system deficiencies, substantiated the actions required to meet rail yard demand and the need to develop a Rail Enhancement Program.

As part of the *Study*, the Rail Enhancement Program was developed to coordinate conceptual improvements to port rail projects through a phased implementation plan. Both ports analyzed the complex's rail infrastructure needs and looked at ways to maximize capacity and utilization of rail systems like on-dock rail. Currently rail yards at or adjacent to the port complex have the combined throughput capacity to handle at least 30 percent of the Port cargo during the forecasted growth period between 2015 and 2030. Even after maximizing the potential on-dock rail yards proposed in the demand for intermodal rail service there will be a shortfall in rail yard

capacity by at least 2010. That is why both ports recommend that in order to develop a more comprehensive rail system, rail yard capacity be developed on-dock and at near-dock facilities in the vicinity of the Alameda Corridor and south of the I-405 Freeway.

Various mainline, system and operational improvements will be required within the port complex to accommodate the projected train volumes. The total cost for rail improvements is estimated at over one billion dollars split nearly equally between rail yard projects and rail network infrastructure projects. Even with the development of infrastructure improvements outlined in the Rail Enhancement Program, the rail network is expected to suffer increasing train delays that will increase operating costs and potentially disrupt cargo flow.

The Ports have developed and are continuing to pursue development of on-dock rail yards so that cargo can be loaded onto trains at the marine terminal without generating truck trips on the local roadways and freeways. Because there are not any other West Coast ports to accommodate the current and projected cargo volumes, not taking action to improve rail capacity cannot be an option. The impacts to local communities and the region's highway system would be onerous and in agreement with Long Beach Mayor Bob Foster, the Port believes that our local communities and infrastructure system should not bear the environmental and congestion burdens of goods moving through the region to the rest of the nation.

Transportation Infrastructure

In line with freight rail, major investments are needed to improve the transportation infrastructure system in Southern California. From the recent Ocean Boulevard/Terminal Island Freeway – an efficiency project that removed traffic signals and created an elevated interchange between Ocean Boulevard and the Terminal Island Freeway between both ports – to roadway improvements, the Port continues to look at ways to meet the freight needs of the region. The Port has worked with the Port of Los Angeles and transportation agencies in a five county area to look at identifying a complete list of projects that will reduce congestion and move goods more efficiently. In addition, because neither the San Pedro Bay Ports nor the Southern California transportation agencies could afford these investments alone, in October 2007 twenty agencies (including USDOT, USEPA, Caltrans, ports etc.) signed the historical Southern California

National Freight Gateway Collaborative Agreement to plan and implement critical projects for inclusion in a national freight policy for the upcoming transportation authorization.

The Gerald Desmond Bridge Replacement Project, a prime example of deteriorating infrastructure at the Port, speaks to the many freight challenges seen in Southern California. The Port is currently proposing to replace the 40-year old Gerald Desmond Bridge with a new, six-lane cablestayed bridge adjacent to the current site. Designated by the U.S. Congress as a part of the National Highway System and the Federal Strategic Highway Network, the Bridge has also been identified by the State of California as a candidate for replacement, with a low “sufficiency” rating. While the Bridge does not pose an immediate traffic hazard on users, its physical condition is fast deteriorating and the cost for routine maintenance is becoming more prohibitive. In addition, its vertical clearance is among the lowest in any large commercial seaport in the world. As a critical structure serving the San Pedro Bay Ports and the cities of Long Beach and Los Angeles, the Bridge is designated part of State Route 710, with about 75 percent of the bridge traffic traveling to and from the I-710. The replacement project is expected to improve reliability, while reducing congestion and bottlenecks. It can therefore be said that the Gerald Desmond Bridge, affectionately known as the “Bridge to Everywhere”, which moves almost 25 percent of the Ports’ containers, will result in significant improvements to the region and nation’s freight system.

In an effort to look at system-wide transportation infrastructure needs, the Port has also taken an active partnership and financial role in discussions to improve the I-710. Similar to the Gerald Desmond Bridge Replacement Project, the I-710 Corridor is a vital link in the transportation system. Serving as a critical commuter and goods movement connector, the I-710 connects the San Pedro Bay Ports to various highway systems and distribution centers throughout the region. This vital freeway has seen significant increases in truck and commuter traffic, which is expected to continue to grow and possibly exceed capacity due to the expected increases in cargo movement and population growth.

As part of the Port's transportation and environmental programs, we are also looking at new technologies to assist in meeting the freight challenges of Southern California. In particular, the Board of Harbor Commissioners has requested staff to look at implementing a Zero Emissions Container Mover System demonstration project that will allow goods to move from the terminals to a near-dock railyard, while considerably reducing emissions. The Port is also working with terminal operators to implement the use of cold ironing and environmentally friendly cargo handling equipment such as electric rubber tire gantries and electric clerk trucks as a way to improve efficiency and mitigate harmful pollution.

Due to reductions in funding from the federal and state government, the ports of Long Beach and Los Angeles found it necessary to consider implementation of the Infrastructure Cargo Fee (ICF), a fee to be assessed to beneficial cargo owners, to pay for regionally and nationally significant transportation infrastructure projects. The ICF is expected to raise a total of \$1.4 billion to fund critical goods movement projects within the harbor complex. The Infrastructure Cargo Fee will provide funds for upgrades to the ports' aging rail and bridge infrastructure, reduce congestion, expedite goods movement and improve air quality. The Ports will levy this fee on each loaded import or export container moved through the Ports' terminals by truck or rail. Because the program will be pay-as-you-go, the amount of the ICF will fluctuate based on that calendar year's projected funding needs for the list of approved projects that include, but are not limited to: replacement of the Gerald Desmond Bridge; construction of an interchange to allow the removal of a traffic light at Navy Way and Seaside Avenue; improvements to access the Harbor Freeway from the Port of Los Angeles; replacement of the Schuyler Heim drawbridge; elevated expressway between Ocean Boulevard and Alameda Street at Pacific Coast Highway; among others. It is anticipated that the fee would begin at \$6 per loaded TEU in mid-2009 and will range over a period of seven years between \$10 to \$18 per TEU depending on the projects that need to be funded. The ports will end collection of the Infrastructure Cargo Fee once the approved list of projects is completed and paid for. The ports will use the ICF revenue to match funds from California's voter approved Proposition 1B and federal funds, to help pay for major port-related transportation infrastructure and air quality improvements. The revenues from the fee program will provide the "private" component of a public-private partnership.

In order to move goods more efficiently from the San Pedro Bay Ports to regions across the nation, additional investments must be made to fund regionally and nationally significant transportation infrastructure projects. Countries such as Canada and Mexico are making significant financial investments in their seaports and transportation systems, providing them with a significant competitive advantage in the international goods movement industry. Also, the Surface Transportation Board's recent approval of the merger between Canadian National Railway and the Elgion Joliet and Eastern Railway – a line that the Canadian National Railway states will significantly reduce the transit time for goods moving from the Port of Prince Rupert to the Chicagoland area – has the potential to impact the nation's economy, result in job loss and divert cargo away from U.S. ports. It is our hope that the economic stimulus package recently approved by Congress and the upcoming transportation authorization legislation will make similar types of investments in seaports and the freight/rail infrastructure system.

The Port of Long Beach looks forward to working closely with the Committee and other key stakeholders on the upcoming transportation authorization legislation, to develop a national freight policy that will aid U.S. seaports and to develop a comprehensive list of critically needed transportation and rail projects and to discuss alternative sources to fund projects that will allow goods that fuel our economy to continue moving.

Thank you again for allowing me to speak before the Committee on this important topic of 'Confronting Freight Challenges in Southern California'.