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PROGRAM TO CLEAN UP TRUCK EMISSIONS AT L.A. AND LONG BEACH PORTS HOLDS PROMISE

While Not Perfect, "Clean Trucks Program" Is A Good Alternative, Says Study

LOS ANGELES February 26, 2008 – A contentious program that has been proposed to reduce truck emissions at the ports of Los Angeles and Long Beach is getting promising reviews from an independent new analysis released today. The study was produced by Beacon Economics, an economic research and consulting firm, and funded by the William and Flora Hewlett Foundation.

The new study concludes that the Clean Trucks Program (CTP) proves to be a "very effective" means of reducing emissions from trucking activity at the ports of San Pedro Bay (L.A. and Long Beach), and has the potential to reduce road congestion in the region surrounding the ports through improved efficiencies. *Note: The study focuses on the original program, proposed in 2006, that calls for both emissions reductions and a reorganization of employment at the ports.*

The analysis compares the CTP to two alternative emission-reduction policies and finds that the CTP is a credible option. But it's not perfect. None of the programs, including the CTP, offer the best policy prescription for every aspect studied. However, the CTP represents a reasonable medium between competing demands to be efficient, sustainable, and relatively easy to implement, the study finds.

"I would call this a pretty good mechanism for bringing about emissions reductions and increasing efficiencies that will help offset the higher costs of the program," says the report's lead author Jon Haveman, an economist and founding principal of Beacon Economics.

The ports are the single largest source of diesel particulate matter (DPM) emissions in Los Angeles – and heavy-duty diesel trucks are the source of 66 percent of the ports DPM emissions. Previous studies have found DPM to be the pollutant that presents the greatest health risk to the Los Angeles region.

One of the most salient points of the new analysis is that all of the CTP's major components are necessary for the program to realize its maximum emission-reducing potential. In fact, remove any one element, and the program is likely to fail in terms of long-term sustainability. For example, the CTP not only sets strict emissions standards, but requires trucks servicing the ports to be under the control of a Licensed Motor Carrier and for drivers of the trucks to be employed by the carriers.

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This represents a major change from the loosely organized industry that is now made up almost entirely of self-employed independent operator drivers.

According to the study, the employment relationship is an essential element in creating incentives to use trucks efficiently and keep them well maintained. Deregulation of the American trucking industry has led to intense competition among truckers serving the ports with an estimated 16,800 now servicing the San Pedro Bay region. Truckers cut corners and costs in order to salvage profits, resulting in many poorly maintained trucks that release unnecessarily high emissions. An employment requirement would control the intensely competitive nature of the industry, allowing Licensed Motor Carriers to raise their prices, and facilitating long-term sustainability.

The CTP indeed calls for a dramatic reorganization of the entire industry that is responsible for hauling shipping containers from the L.A. and Long Beach ports to inland locations. And, accordingly, the study finds that there is a strong potential for significant rate increases. However, the analysis also finds that improvements in efficiency brought about by the CTP could substantially lower costs. Increased rates and increased efficiencies could cancel each other out to a large extent leaving a price increase in the range of 20 to 25 percent, significantly lower than what has been reported in previous studies.

Other pitfalls the study says must be considered and addressed include a potential loss of container traffic to other ports, the potential for “too much” consolidation of the industry (lack of competition), and the possibility that labor unions could reduce the efficiency potential of the CTP.

“No major reorganization of an industry is going to happen without some difficulty and risk,” says Haveman. “Although it’s complicated, and significantly alters the functioning of the industry, the CTP incorporates a set of changes that significantly reduce emissions and have the potential to dramatically enhance efficiency at the ports for the long-term.”

Beacon Economics LLC is an independent economic research and consulting firm with offices in northern and southern California

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