

FEDERAL MARITIME COMMISSION

+ + + + +

PUBLIC FORUM ON PORT CONGESTION

+ + + + +

MONDAY, SEPTEMBER 15, 2014

+ + + + +

The meeting of the Federal Maritime Commission convened in San Pedro, California, pursuant to notice at 9:33 a.m., Mario Cordero, Chairman, presiding.

PARTICIPANTS:

MARIO CORDERO, Chairman
Federal Maritime Commission

EUGENE SAROKA
Executive Director
Port Authority

JON SLANGERUP
Executive Director
Port Authority

THE HONORABLE JANICE HAHN (D-CA)
U.S. House PARTICIPANT of Representatives

THE HONORABLE ALAN LOWENTHAL (R-CA)
U.S. House of Representatives

Panel One:

ROBERT CURRY SR.
California Cartage Company

ALEX CHERIN
Englander Knabe & Allen

1 PARTICIPANTS (CONT'D)

2 BERNARD VAUGHAN
Flexi-Van Leasing, Inc.

3 BOB WYSOCKI
Sears Holdings Corporation

4 LISA FERGUSON
MIQ Logistics

5 MICHELE GRUBBS
Pacific Merchant Shipping Association

6 H. KEITH LESNICK
DOT - West Coast Regional Gateway Director

7 Panel Two:

8 FRAN INMAN
Majestic Realty

9 BRUCE WARGO
PierPASS

10 RICH DINES
Port of Long Beach Commissioner

11 MICHAEL J. JOHNSON
Harbor Trucking Association

12 MICHAEL MAYOR
Mayor Logistics, Inc.

13 RICH NAZZARO
Toll Global Forwarding

14 Panel Three:

15 EDWARD DENIKE
SSA Containers

16

17

18

19

20

21

22

Page 2

P R O C E E D I N G S

1 CHAIRMAN CORDERO: Good morning. Thank

2 you so much for all of you taking the time this

3 morning to attend this forum. Anyone here from

4 San Francisco? Good, good. Dodgers 17,

5 (laughter) Giants 10. Thank you for being here.

6 On a more serious note, again, really

7 appreciate you attending this forum. Let me say

8 from the outset the Federal Maritime Commission is

9 holding four of these forums across the nation.

10 First one to be held here, and then, of course,

11 we'll have one for the east coast in Baltimore,

12 Southeast Charleston, New Orleans for the Gulf,

13 and those are the four.

14 This is an issue that we're approaching

15 as an issue that impacts the nation, and let me

16 make myself very clear: This is not about the FMC

17 visiting a particular gateway and saying you're

18 congested. That is not what this is about, and

19 that's why we're having four regional gateways.

20 But the fact of the matter is no matter what

21 Maritime periodical you pick up, the talk of the

22

Page 4

1 PARTICIPANTS (CONT'D)

2 ERNESTO NEVAREX

3 JUAN CORONA

4 SANDY LANGFORD-COTY
Los Angeles Customs Brokers

5 JOE WRIGHT
Mazda North American Operations

6 PABLO CAMACHO
Teamsters Union

7 JACQUELINE AGUIRRE
TTSI

8 HECTOR VALENTINA

9 BURKE SMITH
The Dependable Companies

10 EMMANUEL GOLDSHIED
Amazon Trucking

11 RICK CURRY
Gateways International

12 SRI LAXMANA
C.H. Robinson

13 HOWARD WALLACE
Los Angeles Harbor Grain Terminal, Inc.

14 RYAN BROWER
Weber Logistics

15 VAL NORONHA
Digital Geographic Research Corporation

16

17

18

19

20

21

22

* * * * *

Page 3

1 day is congestion and avoiding a crisis of

2 potential congestion, not just in the nation, but

3 in Europe. Example: Rotterdam, Asia. Example:

4 Hong Kong.

5 I'd like to thank very much the two new

6 port directors who are here: Eugene Saroka, John

7 Slangerup. Again, congratulations on your new

8 position and very much appreciate you being here

9 for this dialogue. And also I will recognize the

10 Congressional representatives we have here as I

11 move forward with my formal comments, and I also

12 want to recognize the chairman of the Coast Guard

13 and Maritime Transportation Committee Duncan

14 Hunter, who is not here, but did submit his

15 comments of which he is very concerned about this

16 whole issue with regard to maritime

17 transportation.

18 So, with that, let me move forward, and

19 again, good morning. Welcome to the Federal

20 Maritime Commission's Public Forum on Port

21 Congestion. Let me first thank the Commission

22 staff for their efforts in preparing this event

Page 5

1 and the Port of Los Angeles for hosting us. By
 2 the way, the staff is very excited about coming to
 3 Los Angeles because I keep telling them how great
 4 the weather is; let's get away from the heat and
 5 humidity. So, obviously I was wrong. But the
 6 Commission is moving forward with the first forum
 7 scheduled about our nation's major gateways.

8 The objective is to facilitate dialogue
 9 among those affected by the consequences of port
 10 congestion, including port authorities, maritime
 11 terminal operators, ocean common carriers, and the
 12 maritime workforce, truckers, and the beneficial
 13 cargo owners, and ultimately the public who rely
 14 on this industry to provide steady and efficient
 15 flow of goods to their hometowns, places of
 16 business, local stores, often without knowing how
 17 critical efficient ocean transportation is to
 18 their personal lives.

19 Thank you for coming here, and thank
 20 those who have submitted written statements in
 21 advance; many of you have. Following the
 22 discussion, I encourage you to submit further

Page 6

1 comments and feedback.

2 The mission of the Federal Maritime
 3 Commission is to foster a fair, efficient,
 4 reliable, international ocean transportation
 5 system. Official cargo handling at ports of entry
 6 is essential to maintaining a reliable supply
 7 chain and ensure sustainable maritime commerce.

8 Excessive traffic or gridlock at these
 9 ports threaten the reliability of ocean
 10 transportation. Delays increase transport costs,
 11 frustrates cargo owners, and decrease productivity
 12 and profitability for marine terminal operators
 13 and truckers alike.

14 Port congestion is neither a new
 15 challenge nor a localized one. It is a national,
 16 even global, issue affecting the international
 17 shipping community. At the port of Hong Kong, the
 18 maritime terminal operators struggle to
 19 efficiently maneuver containers with severe space
 20 constraints that will lobby to the Hong Kong
 21 government to release more land to expand their
 22 container yards. As I referenced before, in

Page 7

1 Europe the largest port, Rotterdam, has issues of
 2 their own.

3 In the United States, port congestion's
 4 a topic which is not limited to one region.
 5 Rather, a concern at all our major gateways. East
 6 Coast ports will require greater handling capacity
 7 to accommodate the new Panamax vessels. As many
 8 of you know, President Obama signed the Water
 9 Resource Reform and Development Act in June of
 10 this year. The legislation will assist the East
 11 Coast ports in having the infrastructure required
 12 to handle the bigger vessels.

13 Even as the East Coast ports begin to
 14 compete for cause from large vessels, the
 15 efficiency and vitality of the West Coast ports
 16 remains crucial to international commerce. Seven
 17 percent of all U.S. goods imported from Asia
 18 arrive here in the West Coast ports. Forty
 19 percent of all those imports arrive through Los
 20 Angeles, Long Beach alone. That's the virtual
 21 gateway of U.S. imports. West Coast ports are the
 22 essential first step in ensuring the efficient

Page 8

1 national transport of inborn cargo and with such
 2 high volumes. West Coast ports, especially in the
 3 Southern California area, are also more
 4 susceptible to excessive congestion.

5 The Federal Maritime Commission aims to
 6 mitigate congestion by partnering with members of
 7 the Maritime international transportation
 8 industries to identify and resolve factors which
 9 contribute towards congestion. As we worked
 10 towards solving some of these systemic problems
 11 that cause congestion, input from those who
 12 experienced these firsthand are valuable, and this
 13 is exactly the reason why we're here.

14 Again, thank you for your personal
 15 participation. I look forward to hearing from the
 16 stakeholderes. Before we being, let me introduce
 17 the Commission staff that are present today: Mary
 18 Hoang, the Chief of Staff of the Federal Maritime
 19 Commission; Tyler Wood, Deputy General of Counsel;
 20 Ray Pearson, Director of Office Economics and
 21 Competitive Analysis; and Rebecca Fenneman, the
 22 Director of the Office of Consumer Affairs and

Page 9

1 Dispute Resolution, also known as CATERS.
 2 CATERS offers alternative dispute
 3 resolution services to all segments of the
 4 industry, including issues related to the location
 5 of cargo, dealing with defaulting operators,
 6 interpretation of tariff rules or leases,
 7 including disputes over documentation. Our CATERS
 8 unit can provide assistance at any stage of a
 9 dispute. It is a confidential process and
 10 voluntary, so if any of you have these types of
 11 issues feel free to talk to Rebecca today or
 12 contact her office in the future.

13 Now I am very honored and proud to turn
 14 this over to our Congressional representatives,
 15 Representative Janice Hahn and Alan Lowenthal.
 16 Now, being in Washington, D.C., I could tell you,
 17 and nothing that I'm sure you don't know, you are
 18 so fortunate in Southern California to have two
 19 representatives who are doing such great work and
 20 really know what the needs of our maritime
 21 community are for this nation. I will add that
 22 they both reconfigured their schedules to be here

Page 10

1 this morning because as soon as we're finished
 2 here in the morning they have to take the first
 3 flight out to D.C. With that, let me welcome
 4 these representatives, and I'll commence with
 5 Congressman Alan Lowenthal and then I'll defer to
 6 Congresswoman Janice Hahn.

7 MR. LOWENTHAL: Thank you, Mario. I
 8 want to thank you for convening this hearing and
 9 for everyone for coming. Again, my name is Alan
 10 Lowenthal. The last 22 years I've come to really
 11 appreciate and to work with all of our ports, but
 12 especially Long Beach and Los Angeles, and
 13 understand that they're the economic engines that
 14 generate the good jobs that benefit our region and
 15 our nation. So, the critical importance of the
 16 ports.

17 Over the years, I've tried to support
 18 the good actions of the port and economic
 19 development of the port, but I've also worked
 20 really hard to lessen some of the negative impacts
 21 of port development, especially congestion and
 22 environmental degradation. That's the kind of

Page 11

1 issues that I worked on when I was in the state
 2 legislature and also as a city councilman when I
 3 was asked by Commissioner Cordero to address this
 4 on U.S. port congestion, examining some of the
 5 causes, impacts.

6 I struggled on how I was going to
 7 actually frame what I was going to say. How am I
 8 really going to talk about and give a benefit to
 9 the group? I've been meeting with both John
 10 Slangerup and also Gene Saroka to get to know each
 11 other and the new leadership here in the ports.
 12 There was something that Gene said to me this past
 13 week that really struck a chord: That for all the
 14 good works that we've been doing, and we have been
 15 doing good work in Southern California, it is time
 16 to raise the bar again.

17 We are at that point where we need to
 18 come together and raise the bar and to take us to
 19 the next level. That struck me, and I wondered if
 20 there's some lessons in raising the bar. How do
 21 you bring everybody together? What are some of
 22 the case studies of the maritime industry that

Page 12

1 worked? What are some of the things when we've
 2 raised the bar? Goodness knows, Janice knows, and
 3 I know, the ports have raised the bar many times
 4 over the last number of years.

5 I'm going to give one example of
 6 something that I think really has some impact here
 7 about how I participated in it. Not only me;
 8 Janice was a city council member at the time. She
 9 worked on it at the city council level. But 10 or
 10 11 years ago, I could not get across the 710
 11 Freeway. The congestion on the 710 Freeway 10 to
 12 12 years ago to 15 years ago was outrageous during
 13 the daytime. You just could not get out of the
 14 port complex. I had realized for many years that
 15 the terminal operators and those in the industry
 16 had been working to try to resolve this. How are
 17 they going to extend these hours?

18 I, at the end of about 2003, '04 year,
 19 had just had a small victory in the state
 20 legislature against the opposition of a lot of
 21 folks, including some people here, I had passed
 22 and gotten to the governor a bill on truck idling;

Page 13

1 how we're going to limit truck idling. That bill
 2 passed both houses of the legislature, we put in
 3 limits, and it was signed by the governor.
 4 Many people in the industry came to me
 5 and said, we'd like you to come and talk about
 6 what you did, but also, give us some idea about
 7 how we're going to take it to the next step. How
 8 are we going to work together? We've been trying,
 9 as an industry, for years to get everybody on the
 10 same page. We all know it's the time to have the
 11 ports open more than day hours. It was time to
 12 move forward. There were lots of people working
 13 on that; as I mentioned, Janice was working, a lot
 14 of other folks were working on that issue, people
 15 in the industry. Is there something that you can
 16 do?
 17 I challenged them. I was invited before
 18 the Harbor Association or PMSA -- I'm not sure who
 19 it was -- and I challenged them. I said, look.
 20 You had a year. Being successful, not saying I'm
 21 going to be successful again, but I will give you
 22 1 year to come up with a way that the industry

Page 14

1 comes up with their own proposal, because if you
 2 do not come up with that proposal, you're going to
 3 watch, and I'll work with you, I am moving a bill
 4 through the legislature that is going to mandate
 5 that the ports stay open, and it's going to be run
 6 by a public entity, that's what we're going to do.
 7 But I will go away and not be seen again if you
 8 can get your act together and do it.
 9 Everybody said great, great, and so
 10 people didn't believe I could get it through, and
 11 all of a sudden that bill began to move. It moved
 12 through the state assembly; it passed that. It
 13 got through the state senate, and as it's getting
 14 towards the end of the year, I began to have more
 15 and more meetings with the industry. As they
 16 began to see that this bill was getting through,
 17 it was going to be a state entity now that was
 18 going to do it, the industry all agreed among
 19 themselves to come together and to come up with
 20 what they considered their solution, which was the
 21 PierPASS solution. That was a major step forward
 22 because the step was -- I'm not saying you need

Page 15

1 that kind of pressure. It was how do you put
 2 pressure on people to do what they know they had
 3 to do all along because this was their issue.
 4 They wanted to do that.
 5 I'm not saying that was the only reason
 6 to create it. There was lots of other reasons and
 7 things, but it did put pressure on them. The bill
 8 had been through the legislature, ready to go
 9 through the governor; then came PierPASS. As we
 10 know, for the first 6 months of PierPASS more than
 11 thirty percent of the containers were moved to
 12 night. Now almost fifty-five percent of the
 13 daytime moves are at night. Forty million
 14 containers have been moved at a time when they're
 15 not competing with California moguls. My people
 16 in Long Beach. Not only does it help the industry
 17 are very grateful that they're not having to
 18 compete during the daytime hours. We did it
 19 without expanding the terminal footprint. It
 20 created more capacity to move containers by and we
 21 used our resources in a better way.
 22 So, what about here today, maybe, what

Page 16

1 we've done? I'll conclude with this: Where we
 2 are. PierPASS has been a great experience on
 3 relieving daytime congestion, but I think everyone
 4 is saying where do we go from here? How do we now
 5 move the ball forward? We're not saying things
 6 aren't being done right. We're not attacking.
 7 We're just saying it is time, maybe without having
 8 a threat, for everybody to come together and
 9 figure out how do begin to raise the bar again.
 10 How are we going to help the truckers in terms of
 11 turn times?
 12 We moved much more goods. We had a
 13 tremendous amount. Now we have to step back and
 14 look at what are those critical issues that we did
 15 not address or that the ports themselves did not
 16 address and the industry did not address. So,
 17 whether it's I've always wanted appointments --
 18 I'm not advocating for it now, but I am saying --
 19 or whether we have other hours or how we move
 20 goods more efficiently during the hours that
 21 they're there, it is time to raise the bar again.
 22 That's why we're here. We're not here

Page 17

1 because of complaining. We're here because of our
2 successes. The rest of the nation looks to us
3 because we did extend the hours here. It is now
4 time to take it to the next level. Our ships are
5 bigger, so are our volumes. Efficiency has never
6 been more critical. This is not going to solve
7 it. We're going to have to figure out how are we
8 going to move our resources not just within the
9 gates; it's the entire supply chain that we're
10 talking about.

11 I'm real excited. How we reduce truck
12 cues, how we manage growth, how we generate new
13 jobs, how we protect our communities are all on
14 the table. It is time to raise the bar one more
15 time. Thank you for inviting me, and I really
16 look forward to hearing what goes on.

17 CHAIRMAN CORDERO: Thank you very much,
18 Congressman. Next I'll defer to Congresswoman
19 Janice Hahn, but before I do that let me just
20 mention a couple things. As the Congressman has
21 referenced, it's time to raise the bar. One of
22 the beauties about Southern California and this

Page 18

1 port complex, and I experience it firsthand being
2 at the Port of Long Beach, people do see this
3 region as leaders when it comes to maritime port
4 authority issues. I know that for a fact because
5 when I'm back at Washington I could tell you that
6 the many people I meet throughout the country, the
7 Long Beach and L.A. Has a history of that
8 leadership, and people look to the Southern
9 California complex to how they address issues that
10 the other regions need to address.

11 One other aspect people talk about
12 congestion from a global perspective. It is
13 estimated by 2018 we're going to have 840 million
14 TEUs, global transactions. Right now we're at,
15 like, 640. The nation, for 2013, moved 30.5 TEUs,
16 West Coast almost 20 million of that. So, it's
17 significant.

18 Last, and again, the whole perspective
19 of this is the alliances, the grand vessels that
20 are here, and more to come. I will last say when
21 it comes to Congresswoman Hahn, Tyler Woods, our
22 Deputy General Counsel, his staff prepares for me

Page 19

1 a quarterly report on our maritime legislation
2 that's pending in Congress. I would tell you, and
3 it's no news to you all, by far the number of
4 bills maritime related, port related, that's been
5 moved forward, presented, or conceptualized by a
6 Congressional person in Congress is Janice Hahn.
7 Those of you who want to check that with the
8 Congressional Report, you'd be amazed the number
9 of bills that are being proposed to address issues
10 whether it be congestion or whether it be for the
11 benefit of stakeholders in moving of these goods.

12 So, again, we're so fortunate to have
13 someone like Alan who, in my mind, is the
14 godfather of propelling out-of- the-box thinking
15 when it comes to terminal development and port
16 expansion and doing it the right way -- in other
17 words, sustainable development.

18 With that, now let me introduce
19 Congresswoman Janice Hahn.

20 MS. HAHN: Thank you, Commissioner
21 Cordero, for holding this public forum here at the
22 Port of Los Angeles here in San Pedro, which is my

Page 20

1 Congressional district. I welcome all of you here
2 today. It's great to be with my colleague, Alan
3 Lowenthal. It's been really good for this region
4 to send Alan Lowenthal back to Congress, and we
5 are good partners and really are a strong alliance
6 back in Congress with our other Congressional
7 members really leading the way and making sure
8 that they understand the importance of our ports.
9 We know that here in the region. We know the
10 importance of the ports of Los Angeles and Long
11 Beach. They're America's ports. How important
12 they are to not only our local economy, but to our
13 national and global economy.

14 The topic for today's forum is
15 congestion, and that's a crucial one for our ports
16 and for our ability to be competitive globally.
17 We need to reduce congestion in all aspects of
18 goods movement. As Alan said, that was something
19 I began working on when I was a city council
20 member in Los Angeles starting in 2001.

21 It really came from a trip that my
22 brother, who was then the mayor of Los Angeles,

Page 21

1 led to Asia, and we spent time in Hong Kong and
 2 Shanghai, and I came back with the feeling of --
 3 it seemed to me if we really wanted to raise the
 4 bar, we needed to figure out how to open our gates
 5 more than just 8 to 5, and the 710 Freeway really
 6 was the impetus. At that time, if you remember,
 7 in the early parts of this decade, we were talking
 8 about widening the 710 Freeway. We heard from the
 9 public that was a bad idea and would face enormous
 10 obstacles, and things have really shifted.

11 My brother tasked me with one of the
 12 harbor commissioners at that time, James Acevedo,
 13 to begin holding hearings with the industry on
 14 what it would take to begin opening our ports and
 15 moving cargo off-peak. We were told it would
 16 never happen. Oh, we've been trying to do this
 17 for 20 years, Ms. Janice. It's not going to
 18 happen. The industry will never get on board.

19 I just didn't buy that, and I said the
 20 difference now than maybe 20 years ago is the
 21 public. The public is really fed up with the
 22 congestion. The truck drivers were coming to us

Page 22

1 saying, because of the congestion on the 710
 2 Freeway, all of us trying to make that last run at
 3 3 o'clock in the afternoon -- my constituents in
 4 Wilmington were taking pictures of trucks running
 5 over sidewalks so they could get in line fast
 6 enough. We knew that the dynamics had changed,
 7 and it was time to really look at moving cargo
 8 off-peak.

9 One, unfortunately, jackknife truck on
 10 the 710 would really stop that freeway for 4
 11 hours, and many of the truckers told me, frankly,
 12 they didn't like driving on the freeways with the
 13 rest of us commuters. They didn't think we really
 14 knew how to drive and many times we caused
 15 accidents because we would -- not we, but I'd saw
 16 it happen to other drivers -- cut off truck
 17 drivers. So, the time was now to use our
 18 infrastructure smarter and longer while we worked
 19 on maybe gaining support for any kind of widening
 20 of our freeway.

21 We worked very difficult days here at
 22 the Port of Los Angeles in meetings with all the

Page 23

1 stakeholders about off- peak cargo movement. Alan
 2 Lowenthal, at the state level, was crafting
 3 legislation. Between the two of us, I believe, we
 4 really did help to form the foundation for
 5 PierPASS. I think off-peak shipping changed the
 6 way business was done here at the port, and I
 7 don't ever see us going back to the way it was
 8 before we began four nights a week and on
 9 Saturday.

10 I ultimately would like to see us 24/7
 11 some day. I don't think there's a lot of appetite
 12 for that right now, but I think ultimately that's
 13 where we need to move. It's got a number of
 14 benefits: Off-peak shipping; it reduces
 15 congestion for goods movement; it makes port
 16 operations run more efficiently; it also helps our
 17 communities by decreasing congestion during
 18 commuting hours and improving air quality by
 19 reducing the amount of idling that trucks
 20 experience during peak congestion times.

21 As we move forward, I think we need to
 22 shore up our off-peak hours. I think part of what

Page 24

1 we're going to look at at this hearing is the role
 2 of PierPASS, the amount of the mitigation fee,
 3 looking at where these funds go, and I really want
 4 to thank Commissioner Cordero for looking into
 5 these issues. But the rest of the country is
 6 looking at our model. I was up in Oakland on
 7 Friday meeting with the port director there, and
 8 they're definitely discussing how they move
 9 forward with off-peak hours.

10 In Congress I'm fighting for our ports
 11 every day. From the first day I was elected in
 12 2011, I went back and listened to everyone talk
 13 about the jobs and the economy and what we needed
 14 to do, but no one was mentioning ports. I was
 15 baffled that we could be having this national
 16 discussion about our economy and jobs and not be
 17 talking about the role that our nation's ports
 18 played in that discussion.

19 I started the PORTS Caucus in Congress,
 20 and there's caucuses for everything back there,
 21 but in the entire history of Congress no one had
 22 thought about gathering members of Congress around

Page 25

1 the idea of ports.

2 It is a bipartisan caucus. I have about

3 90 members in Congress, both Republicans and

4 Democrats, who now are engaged in education,

5 they're engaged in legislation, and the awareness

6 level for ports has risen dramatically. The PORTS

7 Caucus, hopefully, moving forward will continue to

8 be a vehicle for all of your issues. It is,

9 again, a great bipartisan caucus that wants to

10 move for your issues. So far it's not been

11 controversial. It's something I can find common

12 ground on. I can reach across the aisle and work,

13 and frankly that's what Americans want us to do is

14 to find common ground to move forward your issues.

15 This year Congress passed and the

16 President signed into law, as Commissioner Cordero

17 said, legislation that increases spending for our

18 nation's port infrastructure. I fought very hard

19 for the Harbor Maintenance Tax to be spent rather

20 than to sit in a general fund, a bank account in

21 Washington D.C. with a surplus, and I got the

22 buy-in of many of my members to understand what

Page 26

1 the Harbor Maintenance Tax meant, what it went

2 for, and why it was important to spend it. In

3 July of this year, I continued that fight when a

4 bipartisan amendment that I was on passed the

5 House to increase funding for our ports by \$57

6 million improving our gateways to freight entering

7 our nation.

8 I'm going to take this fight to landside

9 congestion because that's I know what we're

10 talking about. I've always heard that the biggest

11 threat to cargo, the reason cargo gets diverted

12 from our ports, is landside congestion. We still

13 see that on our local freeways, highways, and even

14 across the country. Goods from Los Angeles take

15 48 hours to get to Chicago, and then they take

16 another 30 hours to get across that city.

17 This impacts commerce and the cost of

18 goods for our consumers, and we know the local

19 impact of congestion here. Although our

20 communities get great benefits from our ports, we

21 also pay a price on the wear and tear on our roads

22 and our highways and our bridges.

Page 27

1 President Obama actually called for \$2.8

2 billion of freight infrastructure projects on our

3 nation's highway and rail. However, as what

4 happens a lot back there, people don't offer

5 suggestions on how to pay for these projects. But

6 I did, and I just introduced a bill called the

7 National Freight Network Trust Fund Act of 2014.

8 I think we have copies of that for all of you to

9 look at. This will help pay for our nation's

10 freight projects.

11 I'm asking Congress to take five percent

12 of the Customs and Border Protection fees that

13 come into our ports and divert those and put them

14 directly into a freight network trust fund to fund

15 projects like dedicated truck lanes, better

16 bridges, on-dock rail, the last mile rail and

17 roads, grade separations, and things that will

18 improve our freight corridors; those are the

19 corridors in this country where our freight

20 travels on a daily basis.

21 By the way, this money currently goes to

22 Washington, D.C. in the general fund and is used

Page 28

1 to fund who-knows-what programs in this country.

2 Seems to me everyone, shippers included who are

3 paying these fees, would much rather see that

4 money put back into our freight network to improve

5 goods movement. We don't raise taxes, we put

6 about \$2 billion back into our economy, and we

7 create more good-paying jobs and keep our ports

8 competitively strong.

9 I think it's a good bill. If you have

10 any interest in looking at it and supporting it --

11 I'm trying to get support across this country so

12 that my colleagues in Congress will understand the

13 impact that it could have on moving goods in this

14 country and will support it.

15 Thanks again for this hearing,

16 Commissioner Cordero, and thanks to all of you who

17 come, and thanks to everyone who really is the

18 backbone of the goods movement industry in this

19 country. You are responsible for keeping our

20 economy booming, you are responsible for goods

21 jobs, and you're responsible for our economy

22 really growing and keeping strong for this

Page 29

1 country. It's great to be here.
 2 CHAIRMAN CORDERO: Thank you so much for
 3 your comment, Congresswoman. We have 5 minutes
 4 before the next item on the agenda. I'm trying to
 5 go right on time in terms of approaching each
 6 topic.
 7 Let me just say that in affirming what
 8 you've just heard from our representatives, and
 9 needless to say not only do they have the
 10 experience in this industry, but they're putting
 11 that experience back to work in Washington. We
 12 definitely need that.
 13 I was in Charleston last week, and at
 14 the Port of Charleston there was an international
 15 conference. Bill Margelusa was there, and they
 16 were doing a good job, as he always does, whether
 17 it's in the West Coast or the East Coast.
 18 What was interesting to me is when this
 19 whole topic of congestion was being discussed,
 20 which includes many facets whether it's truckers,
 21 whether it's chassis, railroads, intermodal
 22 connectivity, how the different regions of the

Page 30

1 country have such similar issues.
 2 By the way, they were pretty open about
 3 discussing this, and needless to say, there is
 4 this competitive aspect: East Coast versus West
 5 Coast. But for the Federal Maritime Commission,
 6 again, as I indicated in my opening comments,
 7 we're looking at this as what's best for the
 8 nation. It's a national interest. It's not about
 9 what's best for a port or what's best for a city
 10 or even what's best for a state unless that's part
 11 of the discussion. But from our perspective, what
 12 is best for the nation?
 13 Last, before we move on to other item, I
 14 will say I met this interesting author in
 15 Washington earlier this year, and I bought his
 16 book. The author's name is Lincoln Paine. And
 17 Mr. Payne wrote a book this year, and the name of
 18 the book is The Sea and Civilization. For those
 19 of you who are historians like President Drummond
 20 is at the Port of Long Beach, it's a fabulous read
 21 because the purpose of him writing this book is
 22 that successful empires, as was the term used

Page 31

1 centuries ago, and he studied the history of
 2 successful empires. The first thing they did:
 3 Investment in maritime movement, goods,
 4 international trade. The connection to the sea
 5 was very important.
 6 That is no different now in the 21st
 7 century, and that is why stakeholders like
 8 yourself, whether it's government or the private
 9 sector, it is ever more important to come
 10 together, collaborate, and, as Congressman
 11 Lowenthal stated, it's time to raise the bar. We
 12 cannot wait and further debate these issues for
 13 more and more years.
 14 Now I'm going to move to the executive
 15 directors. Again, we're very fortunate to have
 16 not only directors who are relatively new at these
 17 ports, not new to the industry, and I will say
 18 that I've met with them both, and we're so
 19 fortunate to have people who have so much
 20 experience in this industry, including the
 21 reputation of being visionary and getting the job
 22 done. I'd like to particularly thank Gene Saroka

Page 32

1 for being kind enough to host this forum. I was
 2 very appreciative, and I will tell you you could
 3 tell when you see leadership because it's not
 4 about perception; it's about getting things done.
 5 I was a little bit hesitant on
 6 approaching the Port of L.A. Because me, being
 7 from the West Coast, while we were debating these
 8 ideas, the first things people said: Was there
 9 congestion in the West Coast? Absolutely, from my
 10 perspective, that's not the message we're here to
 11 do. We're, again, talking about factors and
 12 avoiding potential crisis. So, relaying that, I
 13 thought, well, why would you want to host a forum
 14 on this? The reason is because this Congressman
 15 is known for leadership, and as Congressman
 16 Lowenthal has stated and Congresswoman Hahn has
 17 reiterated and indicated in her work, this is the
 18 region where people see the leadership. So, I'd
 19 like to really thank you, Gene, for stepping up
 20 and hosting this forum.
 21 One other comment. Why was it not at
 22 Long Beach? The reason: A couple years, we had

Page 33

1 it at Long Beach. We had a similar forum, so to
 2 speak, and it was a bit more of a listening
 3 session. At that point, I had stated that I'm not
 4 biased here when it comes to the two ports.
 5 Anyway, I said next time we come to this area, it
 6 will be at the Port of Los Angeles, and that's, in
 7 fact, what we did. With that, let me begin with
 8 Gene, and he has some comments. Again, thank you
 9 so much for participating, Gene.

10 MR. SAROKA: Thank you, Chairman, and
 11 good morning. While the Port of Los Angeles is
 12 America's number one gateway for containerized
 13 cargo, we also believe our port is a global
 14 gateway to industry innovation and solutions. In
 15 our experience, the best ideas are born from
 16 collaboration, so we are pleased to welcome
 17 Chairman Cordero, the FMC, the Congress members
 18 for this forum focused on the impacts of and
 19 potential solutions for port congestion. To see
 20 the broad base of industry stakeholders today is
 21 also very heartening to generate these ideas that
 22 will take us to the next level.

Page 34

1 Today's meeting in subsequent forums
 2 will help put the industry stakeholders on a path
 3 to solve traffic congestion issues confronting our
 4 supply chain. I would like to commend Chairman
 5 Cordero for his interest in facilitating this
 6 issue with stakeholders as well as the continued
 7 leadership of Congress members Hahn and Lowenthal.
 8 Thank you all.

9 Focusing on these issues couldn't be
 10 more timely. The nation's in the process of
 11 developing a national freight strategic plan.
 12 Policies that address the role of ports, maritime
 13 terminals, and others within the national freight
 14 system need to be informed by people that make up
 15 that system. Thank you for convening this forum
 16 here at the Port of Los Angeles.

17 From the context of understanding the
 18 issues, those that are faced by stakeholders
 19 worldwide fall squarely into the category of nice
 20 problems to have, growing pains, and other
 21 vernacular as the German commerce recently
 22 described them. A number of factors are involved

Page 35

1 here including the following. Larger vessels:
 2 These deliver more cargo than ever in a single
 3 call. Discharging these vessels efficiently is
 4 the first order of business. Terminal efficiency:
 5 We also need to expedite the velocity of assets
 6 and the efficiency of cargo movement in and out of
 7 our terminals. Improving truck turn times: A
 8 goal shared by the trucking community, everyone
 9 across the supply chain, and surrounding
 10 communities. Likewise, hours of service issues
 11 and forecast of driver shortages are factors in
 12 this equation that we all must solve.

13 New shipping line alliances also add to
 14 the challenge of complexity for moving cargo
 15 today. Ports around the globe are adjusting to
 16 new vessel-sharing agreements that have carriers
 17 calling at different terminals in a way that's new
 18 to all parties involved today.

19 New chassis business models are another
 20 factor of our changing landscape. We're playing
 21 an active role in working with stakeholders to
 22 study these issues, explore solutions such as

Page 36

1 great chassis pools. There'll be more to come on
 2 this matter during the course of the day.

3 Information system technology also plays
 4 a key role. We need to leverage current and
 5 merging technologies to create more channels of
 6 real-time communication. For example, we need a
 7 system for our terminal operators to communicate
 8 and share information with each other in real-
 9 time fashion. Other areas of traffic and gate
 10 status will also improve efficiency.

11 In the category of solutioning, there
 12 are very few one-size-fits-all solutions, but
 13 there are strategies for arriving at those end
 14 games to move our programs forward collectively.
 15 Most of all to take a collaborative approach with
 16 our partners -- those here in the room today and
 17 those that we will go back and work with outside
 18 following this forum. Together with out
 19 customers, we're exploring a number of solutions.
 20 To name a few: Utilizing free-flow cargo for
 21 faster delivery, improving truck dispatching,
 22 creating a great chassis fleet, greater

Page 37

1 cooperation between vessel owners and terminal
 2 operators to avoid operational congestion along
 3 with better cargo stowage opportunities moving
 4 upstream and into Asia, further-reaching
 5 locations, and utilization of technology,
 6 potentially appointment systems.

7 In conclusion, fortunately technology is
 8 improving. Our port community is engaged in
 9 dialogue regarding these issues, and together we
 10 will find solutions. International trade is an
 11 end-to-end system, and everyone has a role to play
 12 keeping the cargo flowing. Congestion challenges
 13 affect us all, and we all stand to benefit from
 14 working together to find these solutions.

15 Today, through productive dialogue among
 16 stakeholders and the FMC, our industry can take
 17 steps necessary to tackle these congestion issues.
 18 It is important for all stakeholders to focus on
 19 the issue, pool our knowledge, experience, and
 20 best practices to work together to turn the tide
 21 in everyone's favor.

22 I'd like to offer our continued

Page 38

1 assistance and support for developing solutions
 2 that best serve the nation's interests and
 3 maintaining and growing a national freight system
 4 that supports America's competitiveness both here
 5 and abroad. Thank you.

6 CHAIRMAN CORDERO: Thank you, Gene, for
 7 your comments. Now I'm going to recognize John
 8 Slingerup, and let me just indicate that none of
 9 this is going to be possible in terms of the
 10 collaboration without the buy-in of both ports.
 11 We'll represent to you that when I talk to John
 12 about this concept and these ideas and the
 13 ultimate objective. He was very much in on this
 14 with regard to the importance of the two ports
 15 working together, the two commissions working
 16 together. I know President Martinez, Vilma
 17 Martinez, and President Doug Drummond are very
 18 much on the same page with what you have to do as
 19 a port complex. With that, let me now defer to
 20 Jon who, again, you've already heard Gene's
 21 comments, so he affirms the introduction I gave
 22 him about his knowledge, his vision. I can say

Page 39

1 the same about Jon. I'm sure you're going to
 2 conclude that after he makes his comments. Jon,
 3 thank you again for being here.

4 MR. SLANGERUP: Thank you, Chairman
 5 Cordero. This is a really critical gathering. I
 6 appreciate so much everybody that's participating
 7 with our key elected officials here have been so
 8 instrumental in making things happen for the
 9 ports. Gene, thanks for hosting this. Gene and I
 10 are already becoming friends, but we've agreed
 11 that we're going to be fierce competitors. But
 12 with the history of these two ports we collaborate
 13 on every level. It's amazing how much our teams
 14 know each other and how well they work together.
 15 This bodes well for our ability to tackle problems
 16 as a region and deal with the issues facing us.

17 This congestion is no small issue. It's
 18 a complex issue. In my view, it's brought on by a
 19 number of macroeconomic factors, not the least of
 20 which is the fact that we're still recovering from
 21 a global economic meltdown. That is what's
 22 driving these alliances; that's what's driving

Page 40

1 these big ships; that's what's making this a
 2 paradigm shift for our industry. These are
 3 driving new thinking about how we deal with
 4 massive ships coming into port disgorging a
 5 massive number of containers and having to deal
 6 with that in record velocity times.

7 We're having to deal with a trucking
 8 industry that is struggling to make money doing
 9 this. We have some issues here facing our friends
 10 within the trucking industry where people don't
 11 want to do that job in the future. There's going
 12 to be a shortage of drivers if we don't figure out
 13 a way to have everybody succeed. Everybody in the
 14 entire value chain from the ship operators, from
 15 the BCOs, and certainly our terminal operators,
 16 and, of course, our truckers that connect all
 17 these dots, all of them have been suffering
 18 economically through this period of time.

19 We have to figure out a new system for
 20 making this whole process economically viable and
 21 efficient because we're going to lose business if
 22 we don't, and I'm not talking just about L.A. Or

Page 41

1 Long Beach, but the West Coast is going to suffer.
 2 There's lots of people popping up to compete with
 3 us for the volume that's coming across the
 4 Pacific, and we can't let that happen.
 5 I'm hoping, Chairman, that this maybe
 6 results in more than just words. I hope this
 7 meeting results in some concrete ideas, feedback
 8 from all you here. I don't care how harsh it is.
 9 We need to know truth, we need to deal with truth,
 10 and we need to come up with actions. I know that
 11 from a port perspective both Gene and I agree on
 12 this, we are working together through our teams on
 13 a number of key initiatives to make things happen.
 14 We will take whatever comes up today, filter it
 15 into our system, and make as many changes as we
 16 can.
 17 Now, as you know, we don't operate our
 18 ports. We are partnered with our operators who do
 19 that. It's no excuse though for us. We are in a
 20 position to influence. We are in a position to
 21 facilitate. We can take Chairman Cordero's
 22 initiative here and continue to drive that ball

Page 42

1 down the field.
 2 I think that we are in an excellent
 3 position certainly with the chassis movements.
 4 The things that are happening on the chassis
 5 front, from a management standpoint, are very
 6 close to being resolved, and I think we just need
 7 to take that over the goal line. Chassis are a
 8 big part of the congestion, and I think we can
 9 solve that problem. All the answers are there.
 10 The models are defined. They can work. We're
 11 getting very close to getting a solution there.
 12 I think that from our perspective at the
 13 Port of Long Beach, we are focused very much on
 14 capital improvements that will also ease some of
 15 this -- now, we're causing a lot of problems
 16 because we're building a bridge and we're messing
 17 around with the highways and causing a lot of
 18 problems and forcing our trucking friends and our
 19 operators are corroborating as much as they
 20 possibly can because they see the big picture and
 21 they see the end game.
 22 But nevertheless, we are causing

Page 43

1 problems as we go through this massive
 2 reinvestment in the Port of Long Beach, but it is
 3 going to be good because we are investing heavily
 4 in rail. We are focused on all of the pinch
 5 points or the points of inefficiency in our rail
 6 system to make that a more viable means to relieve
 7 some of this on-dock congestion.
 8 We are focused on efficiency. Rich
 9 Dines, one of our commissioners, is chairing a
 10 very, very important committee which has the
 11 top-down support on efficiency. He's putting
 12 together the kinds of teams we need to look across
 13 the entire set of operations. With his experience
 14 he's able to speak truth and bring a perception
 15 from a really beats-on-the-street kind of
 16 perspective about how things really have to
 17 operate, so we're working at that.
 18 We're looking at tremendous focus on how
 19 terminal operations are integrated from an overall
 20 supply chain perspective and overall efficiency of
 21 logistics movement. These things are the things
 22 we can do.

Page 44

1 What I hope to hear today is as much
 2 feedback as we can about PierPASS: How it works,
 3 what PierPASS might look like in the future. When
 4 Bruce and I talked about PierPASS, we talked
 5 specifically about what is next because it has
 6 been a very, very good first step. But there has
 7 to be a PierPASS 2.0 in my view. There has to be
 8 the next generation of this technology, and it has
 9 to include information technology which has not
 10 been applied to the process. In my view, that
 11 information technology, which really isn't applied
 12 very effectively, at least from my perspective and
 13 our collective operations, can really go a long
 14 ways towards facilitating a very, very efficient
 15 flow of trucks, trains, and movement within and
 16 out the port.
 17 I'm all for this. I am so excited to be
 18 here. I'm very, very pleased that this forum has
 19 been put together. So appreciative to the FMC to
 20 be willing to do this, and thank you very much.
 21 CHAIRMAN CORDERO: Thank you, Jon, for
 22 your comments. As Jon mentioned, these are issues

Page 45

1 that this port complex and Gene referenced. The
 2 history of this complex is about collaboration
 3 absolutely between two ports, two commissions,
 4 private sector, and public sector. I think here's
 5 another challenge, as Alan mentioned, that we need
 6 to raise the bar.

7 I'm very optimistic that with the work
 8 that Congresswoman Hahn is doing and Congressman
 9 Lowenthal in Washington, we have exactly what the
 10 West Coast is in a strong position to have:
 11 Representation here, representation on federal
 12 agencies, and representation in Congress. Again,
 13 the end game is what is best for the nation.

14 Now, I read three periodicals -- more,
 15 but on my desk every morning or periodically is
 16 the JOC, of course, Journal of Commerce, American
 17 Shipper, and Lloyd's List. You pick up any one of
 18 those three at any time, there is a reference to
 19 congestion. I just want to emphasize this is a
 20 big issue.

21 Just this morning, American Shipper --
 22 and you may remember Eric Johnson who was with the

Page 46

1 Press Telegram and was an awarded journalist in
 2 terms of his work on pollution. This morning I
 3 saw a headline where Eric is spearheading the need
 4 of technology, particularly that of the payment
 5 systems. All this relates to congestion, reducing
 6 cost ultimately for the shipper and the consumer.

7 With that, I want to also acknowledge
 8 two commissioners who are not new to this industry
 9 who have put a lot of work in terms of what they
 10 think we should move on in terms of making sure
 11 that not only just a city but all stakeholders are
 12 represented and benefited by this industry. Those
 13 two commissioners, again, I'd like to recognize
 14 Rich Dines and also Patricia Castellanos. I think
 15 they're the only two here. Did I miss anybody?
 16 But I have spoken to the others previously, and
 17 they apologize for their nonappearance. Well, I
 18 recognized President Drummond already and Bill
 19 Martinez, but clearly we have two leaders of the
 20 commission who, again, is about collaboration and
 21 working together, which, as the two directors
 22 know, is nothing new.

Page 47

1 Last, before we move to the panel, in my
 2 opening comments I'm going to be also clear on
 3 what the FMC hopes to do with all this information
 4 that we're going to accumulate in the four
 5 regions. You know the FMC work with regard to the
 6 diversion cargo, the Harbor Maintenance Tax issue
 7 that we released in 2012? We're going to parallel
 8 that aspect with congestion so that we could be a
 9 resource for Congress and have a case for needs
 10 for the industry and the nation in terms of this
 11 very important question about congestion.

12 As Jon mentioned, he mentioned
 13 technology is ever more important and the
 14 collaboration and also the issue about the trucks
 15 and truckers. Years ago, we could talk about
 16 trucking and being problematic and these issues
 17 being restricted to short haul. Not anymore.
 18 Long haul has issues. Driver shortage is ever a
 19 crisis right now. Why? The income. The wages.
 20 The sustainability of this particular industry.
 21 It's important to look at these factors at all
 22 levels as Jon mentioned.

Page 48

1 With that, we're going to move now to
 2 the panel discussion, and I'm honored to have
 3 people from this area who are very well-respected
 4 with regard to the subject matter that we'll be
 5 addressing. We're going to move along now, and
 6 our first commentator will be none other than Bob
 7 Curry. As you know, he's going to be recognized
 8 next week by the Connie Awards; someone who,
 9 again, is the godfather of the trucking industry,
 10 and by that I mean much experience, very wise, and
 11 has a history of success. Bob, thank you again
 12 for being here.

13 MR. CURRY: Thank you very much.
 14 Besides representing Cal Cartage, I'd like to
 15 think that I represent some of the small truckers
 16 who don't get an opportunity to speak.

17 The congestion is really bad, and the
 18 turn times that we're getting are really bad also.
 19 If you think about our industry, we're regulated
 20 on the hours that these drivers can drive during
 21 the day, but they're also regulated on the number
 22 of hours that they can drive in an 8-day period.

Page 49

1 Many times we've got to shut down the drivers,
 2 sometimes as many as 50 or 60, because they exceed
 3 the hours when there are many containers still
 4 down at the harbor to pick up. Why is that
 5 happening? Because we can't make turn times.
 6 Two, three, four years ago, we probably
 7 did double the number of turns that we do today.
 8 Some of that, I'm sure, is caused by the number of
 9 containers that are coming in from the bigger
 10 ships, the amount of space that's there goes up,
 11 the efficiency of the harbor is not very good, but
 12 also some of it's caused by the lack of chassis.
 13 I have to say that the steamship lines arbitrarily
 14 decided last year to get out of the chassis
 15 business, so now we have three chassis lessors.
 16 We can go into a terminal today, and
 17 there can be no chassis for a particular steamship
 18 line's cargo, yet there's 200 chassis sitting
 19 there that belong to another steamship line and we
 20 can't use them. This goes on every single day.
 21 My operating people tell me that what we
 22 normally have on a given day is dispatch the

Page 50

1 driver to go to a particular berth to particularly
 2 get a chassis that belongs to that line, and then
 3 bring it to another berth because there's no
 4 chassis at that other berth. If you think about
 5 the number of hours that we're spending doing that
 6 when we should be going into a berth, picking up a
 7 load of container, and going out to a customer,
 8 you can see how you eat up the driver's hours
 9 pretty quick.
 10 To give you another thought process for
 11 you, there is no more land in Southern California
 12 around here. All the big boxes are being build in
 13 Riverside, 20 miles beyond Riverside. Drivers, if
 14 we're lucky, can make one turn, that's all we can
 15 do out there.
 16 I don't know whether in the harbor is an
 17 operation that would make any sense because you
 18 got to have qualified labor. If you don't have
 19 qualified labor, it doesn't make any sense to
 20 bring in people who don't know what's going on.
 21 What we really need is the number of hours that
 22 you're going to work, make them efficient hours

Page 51

1 and get the trucks in and out.
 2 We talk about turn times. We don't
 3 measure turn times from the time that they're
 4 inside the terminal. It's from the time he gets
 5 in line until the time he drives out that gate. I
 6 know it'll be a shock to some of you, but some of
 7 the steamship line turn times now are 6 and 7
 8 hours, and that means that that's the only thing
 9 that we're going to use that driver for that day.
 10 Nothing else. The drivers don't like it. Even if
 11 he's paid standby time for sitting down at the
 12 harbor, he's not making any money.
 13 This used to be -- and I'm talking about
 14 40 or 50 years ago -- truck driving was a
 15 profession. It's not a profession anymore,
 16 certainly not in this harbor. It might be a
 17 profession for long-haul drivers, but you can't
 18 get a driver to work anymore in the harbor, and he
 19 doesn't want to work primarily because he can't
 20 get the turn times.
 21 You people who are in charge of the
 22 harbor maybe have to come up with an incentive

Page 52

1 program that tells the terminals to move the
 2 drivers in and out a little faster, and if they
 3 don't maybe there's a penalty program. Penalize
 4 the trucking industry. We're supposed to be there
 5 at a certain time and we don't make it, we should
 6 be penalized too. But we need something that
 7 incentivizes the terminals to move the truckers in
 8 and to move them out. If we don't do that, I
 9 frankly don't know how you're ever going to cure
 10 this problem. Thank you.
 11 CHAIRMAN CORDERO: Thank you so much,
 12 Bob, for your comments. Next we're going to move
 13 over to Alex Cherin. Many of you know Alex as
 14 being one who not only used to work for a port
 15 authority, Port of Long Beach, but now, in the
 16 past few years, has put much effort with regard to
 17 the stakeholder trucking community. With that, we
 18 would be honored to hear your perspective on this
 19 whole issue, Alex. Thank you so much for being
 20 here.
 21 MR. CHERIN: Thank you, Chairman
 22 Cordero. I appreciate your time and that of the

Page 53

1 other panelists. It is very refreshing to see the
2 level and the extent of the interest on a national
3 level in this issue, and it is very, very much
4 appreciated. I think you can see that by the
5 turnout here today.

6 Again, my name is Alex Cherin. I'm with
7 Englander Knabe & Allen. I also serve as
8 Executive Director of the Harbor Trucking
9 Association. I know we're time constrained, so
10 I'll be very brief. It is of three things.

11 Number one: Congestion remains our
12 biggest issue. As Mr. Curry just said -- and I
13 think that his words speak volumes in the
14 industry, he knows this industry better than
15 anyone else -- congestion remains the single
16 biggest issue that we, as a drayage community,
17 face. I'm not saying that in a vacuum. I'm
18 saying that with this context.

19 The HTA represents sixty percent of all
20 the drayage activity and movement in the ports of
21 L.A. And Long Beach. You have sixty percent of
22 all your short-haul truck drivers telling you that

Page 54

1 wait times and congestion at the terminal gates
2 are the single biggest issue that they face, and
3 that has an operational and a financial impact.

4 The HTA in January of 2013 wanted to
5 quantify that. Up until that date, it had been
6 anecdotal as to what turn times were. We, with
7 our vendor partner, ETU Manage Tech, launched the
8 TMD study, the Truck Mobility Data study, which
9 for the last year and a half has tracked average
10 wait time and visit times across all terminals at
11 the Port of L.A. And Long Beach all times of day.

12 I'm not going to bore you with the
13 details of that study. I've been in all of your
14 offices. I've shared that study with all of you
15 individually, but I want to leave you with this
16 one metric. Twenty-two percent of all of the
17 visits, nearly a quarter of all the visits, are
18 taking over 2 hours. That is consistent with
19 another study that was recently alluded to in a
20 Journal of Commerce article last week by Bill
21 Mongelluzzo, and it is corroborated by what Mr.
22 Curry just said.

Page 55

1 Imagine our ports and our businesses
2 running on a model where nearly a quarter of all
3 the visits are taking over 2 hours. It is simply
4 not sustainable, but I too want to focus on
5 solutions, and the HTA, as you know, has advocated
6 for a number of different solutions. We've
7 participated in the FreightUS Project, which is a
8 Federal Department of Transportation funded study
9 looking at how to better integrate technology into
10 moving containers in and out of our terminal
11 facilities. We are big advocates of that.

12 We're also advocates of looking at a
13 24/7 system. How can we move to a 24/7 system to
14 provide a relief valve for some of the congestion
15 that we're seeing? PierPASS has to be a part of
16 this discussion, and I think Mr. Slingerup summed
17 it up perfectly: What is PierPASS version 2.0,
18 and what does it look like? We've grown as a
19 gateway. We've become more complex as a gateway
20 in a good way. How does our PierPASS look in the
21 future?

22 I will leave you with this, and again

Page 56

1 Mr. Curry alluded to it too. We have been
2 advocating for years, and I remember being over at
3 the Port of Long Beach in management when we
4 talked about this. What is the metric? What is
5 the metric that we use, that we publish, that we
6 go out and tell our customer base that we will get
7 trucks in and out of our terminals in? Is it an
8 hour? Is it an hour and a half?

9 The Port of Vancouver recently
10 established the very program that Mr. Curry was
11 just talking about. They reduced a 90-minute turn
12 time into their tariff structure, and they provide
13 a penalty for terminal operators that do not meet
14 that turn time. South Carolina Port Authority has
15 it in their tariff. You ask them, what's your
16 turn time? It's an hour. You ask Vancouver,
17 what's your turn time? It's 90 minutes. If you
18 don't meet it, there's a penalty.

19 I absolutely agree with Mr. Curry that
20 if they do meet it let's look at incentive
21 programs to incentivize our terminal operators to
22 take advantage of that, but we need to start with

Page 57

1 the metric. The fact that we don't have a metric
 2 on this panel is very telling.

3 I took some heat for this comment at a
 4 recent conference, but I will say it again and I
 5 will stand by it. If you were to ask anybody in
 6 this room how long it takes Domino's Pizza to
 7 deliver a pizza, they'll tell you 30 minutes.
 8 That's a metric. If a metric is good enough for
 9 the pizza delivery business, why isn't it good
 10 enough for the ports of L.A. and Long Beach?

11 Thank you. (Applause)

12 CHAIRMAN CORDERO: Thank you very much,
 13 Alex. I will tell you, as I mentioned in my
 14 opening comments, as I visit ports around the
 15 country, this whole issue, the truck discussion
 16 and issue related to that, is not unique to this
 17 region whatsoever, and that's why I want to
 18 emphasize it's a national issue, a national
 19 discussion.

20 In addition, as our next speaker will
 21 address, chassis. One of the things that the FMC
 22 does is we monitor these agreements that are filed

Page 58

1 with the agency regarding chassis, regarding
 2 PierPASS, and a part of this is our monitoring
 3 that you're seeing here, that we're exhibiting.
 4 These are very, very important issues. With that,
 5 as reference to chassis, I'm excited and
 6 interested to hear Mr. Vaughan's opinion and
 7 commentary on this. Bernie, thank you for being
 8 here, and the floor is yours.

9 MR. VAUGHAN: Thank you, Your Honor,
 10 Chairman. I appreciate the opportunity. I'm
 11 representing not only Flexi-Van, but I speak on
 12 behalf of the chassis lessors.

13 The Chairman's absolutely correct.
 14 Flexi-Van does business in every market and
 15 participates in every chassis pool in the United
 16 States. The problems that we encounter here are
 17 elsewhere and everywhere in the United States.
 18 They are probably the worst here, I should tell
 19 you. Flexi- Van, in the LABP pool, Las Angeles
 20 Basin Pool, it's about 38,000 chassis by the end
 21 of this month. We have about 18,000. The other
 22 contributors are TRAC, the largest chassis leasing

Page 59

1 company in the United States, and China Shipping.
 2 But the challenges here are, by a large measure,
 3 the greatest we face in America.

4 Part of the problem, and the Chairman
 5 and I have talked about this many times, the
 6 industry in general went through a state of
 7 transition where the ocean carriers exited first
 8 the ownership of chassis and then secondly the
 9 provisioning of chassis. That process was much
 10 more accelerated than anyone though. Roughly 80
 11 percent of the chassis are now owned by the three
 12 top leasing companies, and that has presented its
 13 own challenges.

14 Flexi's a little bit unusual in that
 15 we're not only an owner and an IEP, an Intermodal
 16 Equipment Provider, but we also run service
 17 centers and ten other major ports in the United
 18 States; we have our largest facility in Carson.
 19 We look at it from both sides of the fence, and
 20 maintenance and repair is really the driver of
 21 whether a chassis pool will be successful or not.

22 The M&R costs here are staggering. Our

Page 60

1 M&R budget for this year will be north of \$40
 2 million, so it's not for want of spending money
 3 that we're running into this huge disconnect here.
 4 In addition, our chairman owns Dole, and we're
 5 part of Dole now, so we see every side of the
 6 equation, and we have been supplying the Dole
 7 chassis fleet since 1984.

8 In terms of the challenges, and I'll
 9 have maybe a little good news at the end of this,
 10 the first challenge is an absolute lack of
 11 control, meaning we are the intermodal equipment
 12 providers. As the chief legal officer of the
 13 company, I'm very concerned about the liability
 14 concerns. Most of the work is repaired by others,
 15 and we try to have good relationships with them,
 16 but there's a huge disconnect between paying the
 17 bill and having any kind of effective control over
 18 and inspecting the equipment.

19 To address the particular challenges,
 20 this is number one on my radar in terms of
 21 spending my time. The LABP, I'm the head of
 22 administration for our company also. We've hired

Page 61

1 additional staff. We've dealt with the IT piece
 2 of it. We have the most staff per capita for
 3 chassis of any of the pools we operate in the
 4 United States. We put in 3,000 chassis with our
 5 partner, TRAC, over the last several months to
 6 help deal with the issues. I've hired a number of
 7 inspectors to go on terminal. We run into this
 8 issue where you want to do a post-repair
 9 inspection, and you're not even allowed to touch
 10 the chassis. It's absolutely craziness.

11 The other problem we have is a lack of
 12 gate control, meaning there are credit and
 13 liability considerations. I don't want someone
 14 else's insurance using our chassis going out the
 15 gate to make \$20, \$18, \$13 a day. We have a very
 16 serious lack of control to weed out the bad
 17 apples. It factors into our cost structure, and
 18 the good truckers wind up overtime having to pay
 19 for that. That's a huge problem, particularly in
 20 this port.

21 Another issue we have: The larger
 22 ships. The second largest charge after

Page 62

1 maintenance repair, which is the driver of -- and
 2 this pool is not profitable now, and that's why
 3 I'm here for the next 2 weeks. I've sent the
 4 director of audit and our top pool people, and
 5 they are basically spending 2 weeks here. They're
 6 from out-of-state, and I told them they cannot go
 7 home until they've solved this problem. We are
 8 very much committed to solving this problem.

9 The larger ships create challenges with
 10 respect to repositioning because an alternate
 11 terminal -- so, it's this shell gam. Moving a
 12 bare chassis is between 4 and 5 days of revenue,
 13 so you don't want to be moving 4,000 chassis a
 14 week. It'll just eat your profits in a blink of
 15 an eye.

16 Another challenge we have, which is
 17 industry-wide, is getting good, qualified
 18 mechanics. That is not something that's intrinsic
 19 to the Port of L.A. Long Beach. I had a long
 20 meeting with Dennis Daggett in New York last week
 21 to talk about that. We have mechanics at our
 22 service center in the Port of New York. We work

Page 63

1 closely with them to try to improve the quality of
 2 the mechanics. It's a safety issue and an
 3 economic issue.

4 The last major issue that we have are
 5 the terminals are now considering storage charges
 6 for the pool. Chairman, you're aware there is the
 7 amendment pending. That's fine. That's just a
 8 different business model. We will have to deal
 9 with it. It will become another major cost
 10 structure which, over time, will obviously factor
 11 into the rate mechanism.

12 In terms of the good news -- and I
 13 talked to a number of people out here. We're
 14 trying to be part of the solution, and we're open
 15 to any and all ideas. Flexi-Van and the LABP is
 16 the larger pool. We got together with our
 17 competitor, DCLI, a direct chassis, that's
 18 ex-fleet of Maersk Shipping Lines. TRAC is also
 19 involved because they're the second largest player
 20 in the LABP pool. We want to run two pools that's
 21 not a gray pool as you mentioned. The pools will
 22 run separately, but it will permit the trucker to

Page 64

1 -- all the start-stop locations will be common.
 2 There are locations now where our customers cannot
 3 drop off because it's a DCLI location. That will
 4 go away.

5 Because we're competitors and because
 6 I'm an antitrust lawyer by background, we thought
 7 it was prudent, although not absolutely necessary,
 8 we went to the Department of Justice to get a
 9 business review letter. I was told on Friday that
 10 we will be getting a favorable letter sometime
 11 this week to permit -- and we're ready to go.
 12 We've been ready to go for 6 months, and we've
 13 hired a third-party vendor to be the scorekeeper
 14 and insulate both companies from any
 15 commercially-sensitive information. Hopefully
 16 we'll get that letter this week. I fully expect
 17 the letter, being a business review letter,
 18 improving the structure, and we'll go forward and
 19 permit the trucker to have some incremental
 20 increase in efficiency, that they're not doing an
 21 unnecessary backhaul to get a Flexi, LABP chassis
 22 out of the DCLI location or -- and that's some

Page 65

1 measure of improvement.
2 I'll be happy to answer any questions
3 later, but thank you for your time.
4 MS. HAHN: Can I ask you one question
5 now?
6 MR. VAUGHAN: Sure.
7 MS. HAHN: I was curious about your
8 comment about hiring of mechanics. Is it that
9 they're not qualified when you hire them or we
10 don't have a good pool out there for hiring
11 qualified mechanics?
12 MR. VAUGHAN: It happens on different
13 levels. The short answer is it's hard for us. I
14 have hundreds of chassis mechanics in Flexi-Van's
15 employee. It's difficult for us to get it. We
16 have union and non-union shops. It's hard for us
17 being off-terminal to get mechanics. I told
18 Dennis Daggett I was going to start charging them
19 tuition because what happens is they come to our
20 facility, and then when a job opens on the pier --
21 and God bless these guys, everyone wants to better
22 themselves -- they move to the pier jobs.

Page 66

1 There are training programs. We have our
2 own training programs. We find that we do most of
3 our training in-house, and most of the people we
4 get are green. They have some mechanical
5 experience, but they're not trained. This is, I
6 think, a national shortage. In terms of reacting
7 to these chassis shortages, we have about 5.5
8 percent of our LABP fleet out of service now. We
9 have asked, implored our vendors to try to staff
10 up chassis mechanics.
11 There's a practical issue also that
12 oftentimes the chassis mechanic -- I see this much
13 more on the East Coast -- will get pulled off
14 chassis work to do the more profitable container
15 reefer work. There's some other factors, but
16 there is a shortage. They're very good jobs;
17 they're very good-paying jobs.
18 MS. HAHN: Thank you. Frankly, that's a
19 whole other issue, Alan, that I've always feel
20 some of these really good jobs, there's a real
21 lack of -- in our community colleges, we've taken
22 vocational classes out of our high schools, and

Page 67

1 where else -- but particularly in the hardware are
2 -- shouldn't we begin figuring out some funding
3 stream to really ramp up the classes for the next
4 workforce that both ports are really going to
5 benefit from? I think that's a real lack in our
6 educational system in the harbor areas. We're not
7 looking at these jobs as being really good jobs,
8 career jobs, and these kinds of skills aren't
9 being offered anymore in our community colleges,
10 in our high schools, our Harbor OCC, Wilmington
11 Skill Center; a lot of those have gone by the
12 wayside. It's unfortunate.
13 MR. VAUGHAN: Hard, green mechanics we
14 generally look to have some welding experience,
15 and then we can build on that ourselves.
16 MR. LOWENTHAL: I'm going to follow up
17 on that question. Another point that you
18 mentioned, and I'm not sure I heard it correctly,
19 is that when you do get mechanics, they tend to
20 want to move towards the pier jobs also, to leave.
21 Is that because they're differential in pay? Tell
22 me why you now have mechanics working, and all of

Page 68

1 a sudden they see greener pastures around?
2 MR. VAUGHAN: I'm really speaking on
3 behalf of Flexi-Van though. Let me use Kenilworth
4 as an example, the Port of New York, where my
5 corporate headquarters is and we have a 43-acre
6 repair facility. There is no structured overtime
7 in our regular shop. We can run our business in
8 the ordinary course of business. We're not moving
9 cargo, so we don't need three shifts.
10 On the terminal, of course, you need --
11 some have three ships, some have two. I'm sure
12 everyone's aware of this whole jurisdictional
13 fight about hiring mechanics in the port of New
14 York, New Jersey, and they're trying to fill
15 hundreds of jobs. There's a jurisdictional fight
16 between the Waterfront Commission and the ILA on
17 that. So, you have that aspect of it.
18 We have four unions and we have also
19 non-union shops. In other places, once the person
20 is trained, if they can get into a union, God
21 bless them with enhanced benefits and overtime, so
22 that's another way we lose them. A place like

Page 69

1 that would be in Charleston; we have an operation
 2 in Charleston.

3 CHAIRMAN CORDERO: We're going to move a
 4 long. We're not going to have a break here, and
 5 again, in the interest of time, these
 6 representatives have to take the first flight back
 7 to D.C.; I want to make sure they listen to all
 8 the panelists here.

9 Moving right along, Bob Wysocki of the
 10 Sears Holding Company, and again appreciation of
 11 your perspective, a very important one, in this
 12 chain of goods movement.

13 MR. WYSOCKI: We're (inaudible) that you
 14 guys are providing, and hopefully we'll get to the
 15 bottom of this. (Laughter) I meant that in
 16 general. I know I was going to call you Ms.
 17 Janice because I heard you called yourself that,
 18 but you seem like you get things done. I
 19 appreciate that.

20 You mentioned 48 hours to Chicago or
 21 something like that. It's taking right now, at
 22 this present time, 1 to 2 weeks to get on a train,

Page 70

1 and then once you're on the train it's 2 weeks
 2 from there. If this is our Super Bowl month for
 3 Sears Holdings, and this is our fourth quarter
 4 right now, we have merchandise not getting to our
 5 stores. Mr. Curry states that it costs more
 6 money. Well, Mr. Curry sometimes will send a bill
 7 to me for the more money that he's spending. I
 8 can't keep doing that. That's not going to
 9 happen, so together we all have to figure out how
 10 to do this better. However you want to do it and
 11 get our buy-in, we are ready to help out. Just
 12 let me know how we can help you. Thank you.

13 CHAIRMAN CORDERO: Thank you, Bob.

14 Moving on to Lisa Ferguson, and Lisa's with the
 15 OTI Customs Broker, one of my favorite
 16 constituencies. Lisa, thank you again for being
 17 here. Again, your perspective is one that, again,
 18 I became very much aware after being on the FMC,
 19 more so than during my days here at Long Beach, so
 20 thank you, Lisa.

21 MS. FERGUSON: Thank you. Good morning.
 22 It's an interesting topic. As I grew up in this

Page 71

1 port -- I went to Long Beach State, I went to Long
 2 Beach Poly. I graduated in the tower when it was
 3 first opened, so I have an international business
 4 background from high school.

5 When we start talking about
 6 communication, we start talking about the interest
 7 of technology and the interest of teaching and
 8 learning. Sometimes we tend to forget that piece.
 9 It would be really nice to hear where we're going
 10 with that. It would be great to be able to send
 11 our freight charges in a point and a click without
 12 having to cut a live check, send a messenger, wait
 13 that 24-hour turnaround for that freight to be
 14 released. It's necessary in some environments,
 15 but for the most part that's a non-necessity
 16 today. Everything should be wireless, paperless
 17 as much as possible.

18 We start talking about where do we go
 19 and what we want to do, technology is the only
 20 way. That's the only way we see in our community
 21 of freight forwarders that would be best served.
 22 How do we know where our freight is? How many

Page 72

1 times do we get that phone call that I can't find
 2 our container. It would be nice to know where
 3 that location is.

4 I worked at a steamship line as well.
 5 We used to have that. Coming off the wharfage,
 6 you would know exactly where it was standing.
 7 Whether it was on chassis or not, at least you
 8 knew where the freight was. Not perfect, but
 9 close to it.

10 When we started looking at this and I
 11 started talking with my teams around the U.S.,
 12 some of the things that came up is we'd really
 13 like to go back to appointment time. We're all
 14 for that penalty piece. You give me the time that
 15 I need to be in, you give me that half an hour,
 16 45-minute window, my trucker can't get in there,
 17 let's talk penalty, fine, but at least they were
 18 given a time and a structure. We used to do that
 19 a very long time ago, but we've gotten away from
 20 that.

21 Enter why: The larger vessels. It's
 22 just getting your hands around what we have and

Page 73

1 the growth that we have. We were asked to bring
2 some pieces to the table, and I think that if we
3 could get payments to the port faster we could
4 alleviate some of that. I think that the exam
5 piece that we had turned around very quickly.
6 Again, having to send another check down to the
7 port to release, if we had that in a technology
8 piece. If we could get an integration or some
9 type of feel between the ports altogether, so
10 whether that being a Descartes system or something
11 that will push out to our forwarders who want to
12 live in that environment. We're pulling that into
13 our technology today for tracking for our clients.
14 They currently get that information from our piece
15 of technology pushed out. They get the
16 information in from the rail telling them where
17 everything is. As a community, if we could really
18 have all of that in once place, it's somewhere to
19 go. That was what I brought today. Thank you.

20 CHAIRMAN CORDERO: Thank you, Lisa.
21 Again, as you referenced the importance of not
22 only technology but the time and cost factor, when

Page 74

1 I was in Charleston last week, during the question
2 and answer period somebody from your community, a
3 freight forwarding company, asked me the question
4 about turn time and educated me how delay here
5 impacts them there. That's why this is not only a
6 local issue, and it's not an issue of just impacts
7 of local distribution of goods. It impacts the
8 chain. Thank you so much for your comments.

9 Now I'm moving to someone that's new in
10 this industry, in this region so to speak, Michele
11 Grubbs. Michele, thank you for your advocacy and
12 the time that you spent in this industry
13 representing the interests of the terminal
14 operators and carriers. Again, interested to hear
15 your comments on this. Thank you so much.

16 MS. GRUBBS: Thank you, Commissioner
17 Cordero. We really appreciate you putting
18 together this forum on the important topic.
19 Congressman Lowenthal and Congresswoman Hahn, it's
20 great to see you. Thank you very much for your
21 leadership. Gene and Jon, we really appreciate
22 your willingness to work together with the

Page 75

1 industry to solve these solutions.

2 My name is Michele Grubbs. I am the
3 Vice President of the Pacific Merchant Shipping
4 Association, and we're very thrilled about this
5 forum being held today. What we all want is a
6 truly honest, hard look in the mirror by all
7 segments of the supply chain. Such an evaluation
8 process is not an easy one, but it is necessary as
9 we, the Southern California trade community, move
10 forward. Solutions need to be found for these
11 problems with congestion in order for us to remain
12 the U.S. largest gateway at the Port of Los
13 Angeles. I think we've all heard right now from
14 many of the speakers about what is giving rise to
15 the congestion at the ports: The large vessels
16 that arrive bringing massive amounts of cargo in a
17 very short period of time, the changing in the
18 historic model of chassis, the random nature of
19 pickup and delivery of cargo, often with little
20 notice but with the expectation of immediate
21 service, cargo stowage on vessels, peaks and
22 valleys of terminal activity at various hours of

Page 76

1 the day and night, and implementation of new and
2 larger vessel-sharing arrangements and new carry
3 alliances.

4 It's worth noting that taken alone each
5 of these factors have evolved in response to
6 demands for increased efficiency, flexibility in
7 service, and to cut cost for customers. But each
8 of these and more have also been cited as leading
9 to congestion, increased cost, frustration at the
10 terminals, once again proving that the supply
11 chain interactions are very complex and don't lend
12 themselves to simple answers.

13 As San Pedro Bay ports have grown over
14 the years from 5 million TEUs to over 14 million
15 TEUs annually, the traditional manner we have
16 managed marine terminals will not suffice for the
17 future. Cargo volumes are projected to grow
18 toward the 20 million container mark in a few
19 years. The marine terminals have invested
20 hundreds of millions of dollars in new gate
21 systems and technology to improve the delivery of
22 containers. These systems have improved our

Page 77

1 ability to handle the increased cargo flow, but
 2 now we are limited by our business model.
 3 Here in San Pedro Bay Ports, we
 4 regularly service 10,000, 12,000, and now 14,000
 5 TEU vessels. With such a dramatic volume increase
 6 per vessel, the traditional method of handling the
 7 containers must change. The future of cargo
 8 delivery needs to evolve into a process that is
 9 more productive for all parties, more cost
 10 effective, and meets the needs of the entire
 11 supply chain. One that looks not just to
 12 transportation companies for a solution, but
 13 requires cargo interests to take more ownership of
 14 the landside.
 15 Solutions are not found in simple
 16 mandates but in shared responsibility. You've
 17 heard a number of possible solution. I'd just
 18 like to offer a couple more, and a couple are
 19 similar to what we've heard.
 20 The first one though is the utilization
 21 of the free-flow method to allow faster delivery
 22 of cargo off the marine terminals freeing up

Page 78

1 much-needed space and providing truckers with
 2 quicker turns. For the past 30 years, containers
 3 have been delivered by having a trucker arrive at
 4 the terminal requesting a specific container. The
 5 majority of the time the terminal is unaware that
 6 a trucker is coming for that specific container
 7 until they arrive at the gate. This requires the
 8 trucker to wait for the terminal to locate the
 9 container, to get it out of a pile, moving on
 10 average three containers to reach it. This method
 11 is inefficient, costly, and time consuming for all
 12 parties in the supply chain.
 13 The Marine Terminal Operators Group in
 14 Southern California, Wickintoa, is proposing a new
 15 method called free flow. When a vessel discharges
 16 80 or more containers for a specific shipper or a
 17 specific location, the containers will be
 18 designated and stacked within a special area and
 19 terminal. These containers will be delivered in a
 20 peel-off fashion to a participating trucker in the
 21 queue.
 22 An important departure from past

Page 79

1 activities, our trucks will not pick up a
 2 designated container and more importantly, the
 3 terminals would not need to shift other containers
 4 in order to access the container requested by the
 5 trucker. Instead, truckers would simply pick up
 6 the next one on top of the sort pile designated
 7 for a particular shipper and destination.
 8 From a terminal perspective, one RTG,
 9 Rubber Tired Gantry crane, usually delivers an
 10 average of 8 to 10 containers per hour. Under the
 11 free-flow method, it is expected to deliver as
 12 many as 20 containers per hour. From a trucker
 13 perspective, the free-flow method will provide a
 14 trucker with quicker turn times and an ability to
 15 move more containers.
 16 Another solution, and as we talked
 17 earlier on this panel, is the creation of a gray
 18 chassis pool to ensure the availability of an
 19 adequate supply of chassis, easing the burden of
 20 terminal operators with regard to providing on-
 21 dock space for multiple chassis pools and
 22 mitigating the cascading effect on truckers with

Page 80

1 regard to down time. The gray chassis pools
 2 should have transparent operating rules.
 3 The Port of Long Beach and Los Angeles
 4 has formed a stakeholder group to review and
 5 recommend an operating model the industry can use
 6 to solve the current chassis problems. We're
 7 waiting for the final report to be issued with the
 8 group's recommendation.
 9 Lastly, we recommend utilizing
 10 appointment systems with meaningful windows to
 11 spread the flow of cargo and eliminate the wide
 12 fluctuations in terminal gate activity.
 13 This is not meant to be a comprehensive
 14 list, but it's a start and requires a new attitude
 15 and shared responsibility by all segments of the
 16 supply chain. PMSA members are prepared to work
 17 with everyone to improve the flow of cargo and
 18 increase velocity through San Pedro Bay ports.
 19 Thank you.
 20 CHAIRMAN CORDERO: Thank you so much,
 21 Michele. Next we're going to move to our
 22 Department of Transportation West Coast Regional

Page 81

1 Gateway Director, Keith Lesnick. I will say that
 2 at the federal level, as I reference what the
 3 objective and the mission of the FMC, the
 4 Department of Transportation and Secretary Fox, I
 5 know this is a big area of discussion. Two weeks
 6 ago, I met with the administrator of MARAD, and we
 7 had all-day discussions and meetings with Japanese
 8 leaders in the international transport industry.
 9 These issues are, again, global.

10 One of the data that was referenced was
 11 very important. You look at the population of the
 12 United States, by 2050 it's going to grow by 100
 13 million. This area alone right now in
 14 California's 38 million. Think what that's going
 15 to be -- our population right now is 350 growing
 16 100 million. The whole aspect of the goods
 17 movement, retail, consumer spending is a huge
 18 impact on our economy.

19 This debate, again, is not only right,
 20 it's -- like, Bernie, you've raised the bar
 21 actually. You won't let your staff go home until
 22 they saw the solution. Maybe we should do that.

Page 82

1 Anyway, now I'm moving to Keith. Again, thank you
 2 so much for being here, Keith, and thank you again
 3 for all the work you have done in DOT with regards
 4 to some of these issues.

5 MR. LESNIK: Thank you, Chairman. I
 6 very much appreciate the opportunity to be here
 7 today. I wanted to say first that California, and
 8 Southern California in particular, are very
 9 fortunate to have two members of Congress who
 10 actually understand what goes on inside the gate
 11 of a port. To us in Washington, that's
 12 particularly valuable.

13 As someone who began their career on the
 14 Hill, I know two things: One, that the PORTS
 15 Caucus isn't just another caucus. It's actually
 16 what brings all of you to the Transportation and
 17 Reauthorization table. In my mind, it takes the
 18 place of the old Merchant Marine Committee that
 19 used to operate and was so valuable to all in this
 20 industry and I wish some day would be returned
 21 into Congress. Also as someone that worked on the
 22 Hill, I know how important it is to get to the bus

Page 83

1 or the airport on time, so I'll be very, very fast
 2 with what I've got to say.

3 The main focus of our work at the
 4 maritime administration is integration of water
 5 into the whole transportation system, in
 6 particular the port community and our port
 7 infrastructure. The Chairman already referenced
 8 the fact that we're going to grow over 100 million
 9 people probably by 2050. All those people are
 10 going to need to have things. They're going to
 11 need to buy things. They're going to have wants,
 12 needs, and 95 percent of all of those things will
 13 still arrive on a ship, and they'll have to cross
 14 a dock, and they'll have to be delivered to
 15 someplace else in America. That's where our focus
 16 is at the Maritime administration at the
 17 Department of Transportation.

18 We have two programs -- they're small
 19 programs, they're new programs, but the Obama
 20 Administration has given us basically the tools to
 21 be able to work on those. One of them is called
 22 the Marine Highway Program, which is relevant in

Page 84

1 the sense that in terms of when we talk about
 2 congestion today it's relevant because it can be
 3 used on the margins and on the sides to help you
 4 deal with your congestion issues, experience
 5 inside the goat. I've talked to folks from both
 6 port facilities here about just that, and there
 7 are things that we can do to help improve those
 8 things.

9 The other one is a program called Strong
 10 Ports, and we got the authorization to do that
 11 just at the start of the Obama Administration.
 12 It's not funded, but it is a program to set up a
 13 system: One of education, but two to assist the
 14 port community and through partnerships. I heard
 15 a lot about partnerships today to talk about
 16 planning processes.

17 Now, talking about port planning, master
 18 planning here in Southern California seems a
 19 little silly because you actually all do it very,
 20 very well, and you understand how you interact,
 21 interface with your local government and with your
 22 state and with the federal government. But most

Page 85

1 of 300-some operating ports in the United States
 2 don't do that.

3 As you travel around the country with
 4 your hearings, Mr. Chairman, yeah, I think you're
 5 going to hear more of that. You're up here and
 6 some of the other people are here, but most of the
 7 other people are just way down there. That's what
 8 Strong Ports is about. What we're trying to do is
 9 we're trying to drive people to think about the
 10 long-term impacts of how their ports operate, what
 11 they're going to have to be doing in the future,
 12 how they're going to have to be moving that
 13 freight, and how they're going to have to get it
 14 out of there efficiently. That's what we've done.

15 The last thing that I'll talk about,
 16 because I know that time is of an essence, is one
 17 thing that's always ongoing: The TIGER Program.
 18 It came up again, yes, as part of the Recovery
 19 Act, but it's been ongoing, and we hope that it
 20 will be continued.

21 I will take a little bit of personal
 22 credit for this -- one of the things that our

Page 86

1 agency has been able to do it is to aggressively
 2 represent the port community in gaining access to
 3 those grants. Since the inception of the program,
 4 we've given almost \$500 million out to port
 5 facilities in terms of development infrastructure
 6 grants for the things that they're going to have
 7 to do. Because if you look at the civil
 8 engineer's report, our port infrastructure can use
 9 a little bit of work, as my mother used to say.
 10 That's a big thing, and \$500 million just doesn't
 11 cut it. It's going to be much more.

12 Finally, that's the whole process of
 13 this whole thing. There's a shrinking federal
 14 pie. It's not going to get any bigger anytime
 15 soon. How the ports use their abilities and your
 16 sophistication to obtain greater access to that
 17 pie so that you can grow your facility and grow
 18 the economy. Thank you.

19 CHAIRMAN CORDERO: Thank you so much,
 20 Keith. We're going to take a break, but before we
 21 take a break here for 10 minutes, I want to really
 22 thank both Congresswoman Hahn and Lowenthal for

Page 87

1 being here and impacting their very busy schedule.
 2 By the way, we have, I understand, representation
 3 from other ports in California: Oakland, Hueneme,
 4 San Diego. Last, I am told in the Bay Area that
 5 they're doing another study -- it's just been
 6 announced this morning -- a congestion study.
 7 This one's being done by the San Francisco Giants,
 8 congestion on the bases. Too many Dodgers. Thank
 9 you.

10 We'll reconvene at 11:20 for the second
 11 panel. Again, at 11:20 for the second panel.

12 (Recess)

13 CHAIRMAN CORDERO: Moving forward. I've
 14 been told that we have not only started here in
 15 this room, but apparently there's a second room
 16 now that was convened because of the number of
 17 people we have here, so it's great to see Southern
 18 California out and trying to have a dialogue and
 19 look for solutions in a collaborative way on these
 20 very important port, maritime questions. Thank
 21 you so much again.

22 We're going to move forward our second

Page 88

1 panel. Now, after the second panel concludes
 2 they're comments, then we're going to move
 3 forward, time permitting, with the public forum.
 4 That is, those of you who want to come up to the
 5 podium and make comments, we do have a lunch hour,
 6 but we'll take a break for an hour, and then after
 7 that we will continue from the session in the
 8 afternoon to make sure that we have the
 9 opportunity for further commentary with regard to
 10 the issues before us.

11 Moving right along, we're going to now
 12 move to Fran Inman of Majestic Realty. Again, no
 13 introduction needed for Fran not only in terms of
 14 involvement in the industry but at the state
 15 level, transportation commission, and those of you
 16 who know Fran, she's a hard worker, and her heart
 17 and passion is in the goods movement. Frank,
 18 thank you so much for being here this morning.
 19 The floor is yours.

20 MS. INMAN: Thank you, Chairman Cordero.
 21 It's a pleasure and an honor to be here. I'm
 22 representing in my day job, Majestic Realty, but I

Page 89

1 will add a little perspective from the other hats
 2 that I wear because it's difficult for me to
 3 separate all of those.

4 As I like to say, every day is freight
 5 day, and I think for all of us here today that's
 6 why we're here. I was just chatting with Gene
 7 briefly, and I said, God bless us one and all --
 8 if I could take a line from Tim Cratchit -- in
 9 terms of it's amazing that we do as well as we do
 10 given all of the pieces and how complex these
 11 puzzles really are, and they're multidimensional.
 12 Most of us operate in a system of systems, and I
 13 think that that's the important discussion that we
 14 have to say.

15 First and foremost, I just want to echo
 16 the words that have been mentioned about
 17 collaboration because I think it is important for
 18 all of us to sit down and continue sitting down.
 19 Most of us have lots of hours and passion invested
 20 in this topic, so I would encourage all of us. I
 21 know change can be difficult, but it is important,
 22 I think, to always raise the bar. I was thinking

Page 90

1 about over the years we've always said we're
 2 America's gateways, and I think being on the top
 3 sometimes could be the Sports Illustrated
 4 preseason cover you don't want to be on and the
 5 curse of the SI preseason cover image. I think it
 6 is important for us to all stay the top of our
 7 game.

8 With that, representing Majestic Realty,
 9 as most of you know, we're a long-term Southern
 10 California base developer, privately held. We
 11 have more than 70 million square feet in our
 12 portfolio. That said, I can tell you today that
 13 most of our new development, about ninety-five
 14 percent of it, is outside this State of
 15 California. Still in the U.S., we've stayed U.S.
 16 based, but our charge as asset owners were develop
 17 and hold, so we've got to skate where the pucks
 18 going, as Gretzky said.

19 I think it's important for all of us to
 20 make sure that we continue -- clearly we have a
 21 wonderful, deep love of ports, and our proximity
 22 to our trading partners is so very, very

Page 91

1 important, but we also have some challenges. From
 2 our perspective, bigger seems to be the mode in
 3 terms of the warehouse distribution facilities.
 4 We have migrated over time. When our company
 5 started some 60 years ago, it was primarily
 6 manufacturing, light industrial, and today it's
 7 dominated by warehouse distribution centers.

8 Probably the sweet spot for us is
 9 500,000, 750,000 on up, and today we have two
 10 buildings that are over 1 million square feet that
 11 are under construction. But like I said, those
 12 are in different states.

13 For the most part, cross-dock is what
 14 we're doing. I was thinking earlier too about our
 15 evolution, and historically we have been along
 16 rail lines. Our founder and CEO, Ed Roski Sr.
 17 always believed that we were part of a supply
 18 chain. Most of those around here we take out our
 19 rail spurs and put in truck parking because as the
 20 models have changed, we've had to change as well.
 21 I haven't seen our rail partners here very much
 22 today, so I think in the future when we do these

Page 92

1 make sure that we do have -- our Class 1s are so
 2 much a part of what we all do together in the
 3 supply chain because it's important.

4 E-commerce is probably the biggest game
 5 changer in the disability side, and it is a
 6 rapidly changing market for all of us. The newest
 7 innovation seems to be the fulfillment centers.
 8 All of us have changed our shopping patterns to a
 9 certain extent; some of us more than others.
 10 We're having things delivered, and we want it now.
 11 I think that that changes the dynamics for all of
 12 us, and it's certainly a challenge for our
 13 planners who -- most of them -- when they were
 14 trained, they didn't even know what e-commerce
 15 stood for.

16 I think it is important for all of us to
 17 retool and reconfigure because our business is
 18 really based on derived demand, so freight for us
 19 for the most part unless it's a manufacturing
 20 tenet for us. It is pretty much who else needs
 21 what moved, and how can we provide a facility that
 22 will meet that need?

Page 93

1 You heard Bob Curry talk earlier about
2 the challenges with the bigger boxes being built
3 further and further out. Ours is pretty much a
4 formula business. We can figure it out what we're
5 can afford to pay for the land and the economics.
6 We also have become students of logistics
7 economics just because we understand that rent is
8 only a portion of our tenant's decision on where
9 they're going to locate. At the end of the day,
10 for all of us, it's that end-to-end move that is
11 so very important. We've heard earlier today
12 about some of the hiccups along the way.

13 I think we haven't talked today about
14 energy and the role of energy in all of our
15 collective future, and I've been working with our
16 port partners here and our energy commission. We
17 hosted the chair of the energy commission earlier
18 this year who was on a speaking tour to talk about
19 grid reliability. We tried to move more and more
20 shore power. For sure, our partners in the supply
21 chain need to make sure that as we migrate we're
22 going to have a reliable power. I think as we

Page 94

1 look at the world of energy, clearly with our
2 partners who also are -- the laws are built on
3 derived demand; the role of energy is a key factor
4 there. I think we need to include those in our
5 discussions as well.

6 I also think that timing is so very,
7 very important. As you mentioned earlier, I do
8 have the honor and privilege of serving on the
9 California Transportation Commission. We are in
10 the midst of developing the California Freight
11 Action Plan, which is really, hopefully, building
12 on the work that many of us did collectively for
13 the goods movement action plan in 2006. But when
14 I first joined the commission, I was absolutely
15 astonished to think that we didn't have a freight
16 plan. And then with my work on the National
17 Freight Advisory Committee, it's amazing to me
18 that we haven't had a vision and a plan for our
19 nation as we accept the fact that we do live in a
20 global world and the trading partners and the
21 mobility that we all have and the economics that
22 are derived from that are so very, very important.

Page 95

1 I just want to encourage you to have
2 these discussions. I'm learning with the rest of
3 you. We are landlords just like the ports, so we
4 are not hiring the various partners directly, but
5 clearly what we hear from our tenants and our
6 journey into all of this really came from hearing
7 from our tenants when they couldn't make their
8 turns form the port, and that was probably a dozen
9 years ago.

10 I think we have to really continue to
11 raise the bar, as was mentioned earlier, and
12 really figure out and to find success, and figure
13 out what those performance metrics, and hopefully
14 we can all agree on what success looks like and
15 how to get there. Thank you.

16 CHAIRMAN CORDERO: Thank you so much,
17 Fran. Thank you for your involvement with the
18 National Freight Advisory Committee. I know
19 you've travel to Washington with regard to that
20 role. Southern California was very
21 well-represented also on that committee. Bonnie
22 Lowenthal did a lot of great work with regard to

Page 96

1 the ultimate objective, a national freight policy.
2 I think, thanks to D.O.T. -- where did Keith go?
3 Oh, I'm sorry.

4 Thank you so much again, because again,
5 one of the questions that you hear people say,
6 well, we're not doing that bad. We're doing some
7 good things. As a nation, we still don't have a
8 national freight policy. When you think about
9 what Southern California has done through the
10 leadership of people like yourselves and Fran and
11 the others, we can raise the bar like the
12 Congressman said, and that's exactly what we're
13 going to do.

14 Moving forward now, we're going to hear
15 now from Bruce Wargo who has spent many years with
16 regard to the inception of the PierPASS program to
17 what it is today. Again, I'm interested to hear
18 Bruce's commentary because, again, that's one job
19 I would not wan to have given all the trials and
20 tribulations in terms of trying to solve issues
21 and deal with stakeholders. But with all that, I
22 think he's doing a great job. Bruce, thank you so

Page 97

1 much for being here, and I welcome your comments.
 2 MR. WARGO: Thank you, Commissioner, for
 3 having me and inviting me to attend today's
 4 session. If some of this is repetitive for some
 5 of you I apologize in advance, but I think it's
 6 important to mention. Anyway, good morning. I'm
 7 Bruce Wargo. I'm president and CEO of PierPASS.
 8 I'm really happy to contribute to today's
 9 discussion on national port congestion using our
 10 San Pedro Bay experience as background. I
 11 encourage all the parties to be constructive. I
 12 believe everybody in this room would like to see
 13 improvement of some kind.
 14 As you know, the ports of Los Angeles
 15 and Long Beach comprise the largest port complex
 16 in America, and according to the Journal of
 17 Commerce, the ninth largest in the world. With
 18 this level of container volume come complexities
 19 that are not present in less-busy ports, and in
 20 some ways are unique to our infrastructure and
 21 business practices.
 22 In 2004, San Pedro Bay experienced

Page 98

1 severe congestion due to larger ship volumes, rail
 2 car and engine availability, labor shortages,
 3 freeway congestion -- sounds familiar. As a
 4 result of this perfect storm and with the
 5 encouragement from elected officials like then
 6 State Assemblyman Alan Lowenthal and now
 7 Congressman Alan Lowenthal, San Pedro Bay marine
 8 terminal operators with the FMC authority
 9 developed an unprecedented night gate program to
 10 mitigate the traffic in and around the port
 11 complex. Self-funded and in place for over 9
 12 years, the PierPASS off- peak program has moved
 13 more than 30 million truck transactions from days
 14 to off-peak shifts and continues its primary
 15 mission to mitigate traffic in the local
 16 community.
 17 PierPASS is, without question, the
 18 single most effective congestion mitigation
 19 program in the nation. Because of a program like
 20 PierPASS, we do not see some of the catastrophic
 21 congestion issues that happen in other ports like
 22 Rotterdam, Manila, Ningbo, China, and Canada.

Page 99

1 Recently, Port Metro of Vancouver instituted a
 2 night gate program similar to PierPASS, and as it
 3 happened here in 2005, congestion was dramatically
 4 reduced.
 5 With over 35,000 daily truck
 6 transactions monitored by RFID tags, we were able
 7 to accurately and comprehensively track
 8 in-terminal truck turn time and record this data.
 9 Over the last several years, the off-peak program
 10 has consistently diverted fifty-five percent of
 11 truck transactions to less-congested off-peak
 12 hours.
 13 PierPASS and its marine terminal
 14 operators have also played an instrumental role in
 15 enforcement of the port's Clean Truck Program
 16 using its computer infrastructure and leveraging
 17 the terminal operator requirements for each truck
 18 to have an RFID tag to validate against the port's
 19 Clean Truck Database.
 20 Today we face new challenges. Several
 21 of these challenges are beyond the control of the
 22 marine terminal operator, but nonetheless

Page 100

1 contribute to the topic being discussed today.
 2 Port congestion is a global phenomenon.
 3 This subject is getting a lot of attention in the
 4 trade papers, and the common denominator points to
 5 larger ships, the supporting infrastructure, and
 6 business processes. Servicing these larger ships
 7 puts a strain in the support elements such as
 8 chassis, truck power, yard space, rail cars,
 9 available labor, and yard equipment.
 10 Additionally, one less tangible contributor is the
 11 delivery process that we have built America's
 12 largest port operation around.
 13 More specifically, let's talk about
 14 chassis. Today the chassis model is in a state of
 15 transition from one that has been essentially the
 16 same for 50 years to something very different.
 17 Whether it's small pools, contributory pools,
 18 collaborative pools, or gray pools, it's different
 19 than it was and now presents new complexities.
 20 The model is evolving, but whatever stage it is at
 21 present, issues like shortages at location A,
 22 oversupply at location B, damaged inventory,

Page 101

1 billing disputes, utilization factors, billing
 2 rates, etc., contribute to congestion and
 3 inefficiency.

4 With chassis providers acquiring the
 5 previously owned units from steamship lines and
 6 then renting them on a daily basis, we see an
 7 unprecedented chassis shortage at most terminals.
 8 This has a cascading effect on all the other
 9 stakeholders. Trucks get tired of waiting for a
 10 chassis to arrive and leave. Containers sit and
 11 lose velocity. It increases demurrage costs. It
 12 increases terminal cost to manage larger and
 13 larger piles of containers, and ultimately ships
 14 are going to have to wait to berth all because of
 15 a chassis shortage.

16 This is causing significant disruptions
 17 now and does not look to get better in the near
 18 term. We understand that the Department of
 19 Justice is looking at the IEP's proposal to work
 20 together, and we encourage the FMC to do what they
 21 can to ensure that the chassis providers don't
 22 bring this port to a standstill. We need to

Page 102

1 resolve this issue now.

2 On the matter of truck turn time, today
 3 import containers are delivered in much the same
 4 way at all terminals using Rubber Tire Gantry
 5 cranes to dig out a specific container by a
 6 specific number in a pile of thousands of
 7 containers for mounting to a truck and a chassis.
 8 This process of complete and total random access
 9 by a specific container number at all times of the
 10 day and night moves a predictable 8 to 10
 11 container deliveries per hour.

12 It's also made more complex by post-9/11
 13 issues by customs exams, VACIS exams, RPM
 14 inspections and the like. Although terminal
 15 operators have instituted a number of computer
 16 enhancements, it's still a very complex and time-
 17 consuming process.

18 Terminal operators have been tracking
 19 these trucks with RFID tags now for years to
 20 monitor truck turn times for many, many years.
 21 PierPASS started publishing these average turn
 22 times each month. Unlike some who track limited

Page 103

1 numbers of trucks and include the time spent in
 2 the street waiting to open up, trouble tickets are
 3 discounted and multiple transactions aren't
 4 counted as single transactions. Terminal
 5 operators in San Pedro Bay look at the net turn
 6 time per transaction as a more honest, accurate,
 7 and representative methodology.

8 Once you add in a 10 or 14,000 TEU ship,
 9 you start to see these service peaks and valleys.
 10 We should all understand that a 45-minute per
 11 transaction turn time that was achievable in the
 12 nineties may not be so easy today. Expectations
 13 may need to be adjusted to a new model, and
 14 certainly so when hundreds of trucks show up at
 15 the same time and expect 45-minute service.

16 One could almost say that in San Pedro
 17 Bay, with over 1000 truck companies and 11,000
 18 registered trucks, much of the time trucks are
 19 waiting, they're waiting on the trucks in front of
 20 them to get into the terminal. It's not
 21 necessarily how fast the machines are working.

22 I also feel that truck turn time

Page 104

1 reflects an existing delivery process, steamship
 2 line practices, and current terminal congestions
 3 and operations. If we want to change the truck
 4 turn time outcome, we need to consider changing
 5 the process. Doing the same things incrementally
 6 faster will not solve the periodic periods of
 7 congestion.

8 One area that we're exploring is the
 9 process we call free flow, which attempts to
 10 identify and deliver en masse large numbers of
 11 containers for a shipper or a logistics company
 12 and let the shippers sort out the specific
 13 container numbers they want. This approach
 14 changes the container yard from a storage location
 15 for container cargo owners to a more productive
 16 link in the logistics chain.

17 A recent PierPASS study has shown that
 18 drivers can triple their moves if a terminal and
 19 trucking company coordinates this type of
 20 delivery. We are currently conducting tests at
 21 several terminals and will be working on expanding
 22 the process in the future. We encourage truck

Page 105

1 companies to collaborate on consolidating their
 2 volumes, to take advantage of this process, and
 3 improve the driver outcomes.

4 Next, there's been several comments
 5 about 24/7 operations. Several stakeholders have
 6 brought this issue up of working more hours in the
 7 ports of L.A. And Long Beach to address truck
 8 congestion. Under today's PierPASS off- peak
 9 program, terminals provide 35 extra gate hours per
 10 week in addition to the 40 hours at each terminal,
 11 and that is more than any modern container
 12 terminal complex in this or most countries.

13 Within these hours, we do see peaks and valleys in
 14 truck activity with some hours having little or no
 15 truck activity at all.

16 Extending operation hours of the port
 17 will not necessarily increase the number of
 18 containers available to be processed, but it will
 19 dramatically increase the cost of operating a
 20 marine terminal. Today the PierPASS off-peak gate
 21 costs approximately \$180 million a year. It is
 22 estimated that working around the clock, 7 days a

Page 106

1 week, would add another \$167 million.

2 At present, there are no major blocks of
 3 time during the current gate operations which
 4 there is minimal truck activity. Given periods of
 5 underutilization, there does not currently appear
 6 to be operational or commercial reasons to
 7 increase the cost to shippers and the supply chain
 8 at a time when stakeholders are looking to reduce
 9 costs.

10 Are there shippers present that would
 11 like to pay more for 24/7 operations? They should
 12 come forward. If there's been some analysis done
 13 on 24/7 operations by either local or federal
 14 authorities, it'd probably be a good time to see
 15 it and see what the benefits and the costs are.

16 We heard earlier about appointment
 17 systems. Right now, of the 13 terminals making
 18 17,000 truck transactions per shift or 35,000
 19 truck transactions per day, we have only five of
 20 those terminals with some type of appointment
 21 system for import containers. Reviewing those
 22 in-terminal truck turn times reveal that they are

Page 107

1 both above and below the average and median turn
 2 times for all terminals. This would lead us to
 3 believe that the current appointment system needs
 4 improving to see meaningful improvements to truck
 5 turn times.

6 It's also important to note that
 7 thirty-five percent of the trucks routinely failed
 8 to make their appointments. If we were to have
 9 meaningful appointments, they need to have smaller
 10 windows of times and trucks must make their
 11 appointments.

12 I know we've heard before about trouble
 13 tickets, and this is an interesting subject.

14 National studies have shown, and local
 15 investigations have confirmed, that we see five to
 16 seven percent of truck transactions experience
 17 trouble tickets. These trouble tickets are caused
 18 by a lack of information from the truck driver or
 19 misinformation, which in both cases takes the
 20 driver out of the process until the issue is
 21 resolved. Additionally, that truck will have to
 22 be handled a second time and possibly delaying a

Page 108

1 truck behind them.

2 Many trouble tickets can be avoided by
 3 checking information prior to arrival at the
 4 terminal. Additionally, in the near future, we
 5 hope to see web-based programs to pre-arrive cargo
 6 into the terminal and expedite the truck
 7 transaction. This would also eliminate these
 8 trouble ticket issues.

9 In this discussion, it's important to
 10 recognize that this is a very complex and
 11 comprehensive business. Most solutions are not
 12 free, simple, or obvious. We need to spend more
 13 time on the root causes of these issues to improve
 14 the cargo flow.

15 In closing, the items that I feel that
 16 had the greatest impact on port congestion today
 17 are big ships and their schedules, chassis
 18 availability, trucker productivity across all
 19 hours, the delivery process itself, and trouble
 20 ticket resolution. Thank you very much, and I'll
 21 be happy to take any questions.

22 CHAIRMAN CORDERO: Thank you, Bruce.

Page 109

1 With regard to my opening comments referencing the
 2 role of the FMC, and I mentioned we're holding
 3 four forums throughout the nation, one thing
 4 unique about this particular region, L.A. Long
 5 Beach, is that this is the one area that, as Bruce
 6 mentioned, we have PierPASS, an agreement that's
 7 filed with the FMC, and one that we monitor.
 8 This is rather unique as opposed to the
 9 other three areas that we're going to be holding
 10 these forums. Of course, part of that monitoring
 11 responsibility that we have is to make sure these
 12 objectives are made.
 13 As Bruce mentioned, there are
 14 challenging issues, but one the things, again,
 15 that has already been said not only by the people
 16 up here at the front but those of you out there,
 17 let's accelerate this discussion with the arrival
 18 of the big vessels. Not only is it very good in
 19 terms of economies of scale, but it is a model
 20 that creates some serious issues that we, as an
 21 industry, have to address, and ultimately get to a
 22 point where everybody's comfortable regarding the

Page 110

1 coming of the economies of scale concept.
 2 Last, I will say -- as Bruce and others
 3 mentioned -- this is not unique to this region,
 4 that is the issue of truck times and the issue of
 5 truckers. The scenario that is required for us to
 6 succeed is a scenario where all stakeholders buy
 7 in in terms of not only what we need to do, but
 8 what the results are. Again, those of you in the
 9 trucking community, I know you have some issues
 10 and concerns, and hopefully, again, the objective
 11 is to make sure stakeholders are satisfied here
 12 because it is only then that, again, I think we
 13 could walk away and certainly have some comfort
 14 that the ultimate objectives are being met.
 15 As Bruce mentioned, the challenges are
 16 problematic and it's a high bar, but that has
 17 never stopped this particular complex from
 18 undertaking those type of challenges. With that,
 19 let me move forward now and recognize the next
 20 panel person, Commissioner Dines, with the Port of
 21 Long Beach, and as you know, vast experience on
 22 the waterfront. Commissioner Dines, thank you and

Page 111

1 thank you for your time and making your comments
 2 and having your input here.
 3 MR. DINES: Thank you, Mr. Chairman, and
 4 I also want to thank the FMC staff for hosting
 5 this forum today. First, let me state for the
 6 record that my comments are those of an individual
 7 commissioner, and they do not represent the views
 8 of the Port of Long Beach Board of Harbor
 9 Commissioners or any other port stakeholder group.
 10 I've worked in this port complex since
 11 1997 as a longshoreman and in my current role as a
 12 marine clerk. It is from these experiences that I
 13 have developed my views and opinions on the crisis
 14 we currently face and the solutions we must work
 15 on together.
 16 I just wanted to bring up a couple of
 17 things from the earlier panel, and when Mr. Curry
 18 spoke -- and others did -- possibly looking at
 19 what they're doing in Vancouver with a penalty
 20 system. The ports have the right to use or
 21 tariff. I support working with the stakeholders
 22 and offering them a carrot instead of breaking out

Page 112

1 the stick. That being said, we definitely need to
 2 raise the bar and work on solutions.
 3 With the idea of free flow, free flow
 4 cargo is nothing that's new to our ports. This
 5 idea's been around for many years. I've been
 6 supporting this idea for quite a long time. In
 7 fact, the practice of free flow is something that
 8 we've been using and what we have our land bridge
 9 where we will shift containers from one dock to
 10 another docks-on- dock rail yard. It is off the
 11 top. It is very efficient. It allows for a block
 12 stow of cargo, and we can use hop handlers Rubber
 13 Tire Gantry cranes. I think that it's a part of
 14 the solution, but it isn't going to correct all of
 15 our problems.
 16 I hope not to be too repetitive over at
 17 Mr. Wargo's comments, especially on the history,
 18 but I would like to say -- and I know President
 19 Drummond is the historian of the Port of Long
 20 Beach -- a little bit of history. From the
 21 mid-1990s and until 2006, this port complex
 22 experienced annual double-digit growth in

Page 113

1 container volumes. It just kept coming, and it
 2 kept coming ten percent or more every year.

3 In 2004, we did find ourselves facing
 4 some very serious challenges. We had congestion
 5 in our ports, on our freeways, and in our
 6 neighborhoods. Truck queues outside of terminal
 7 gates grew longer and longer, and we found
 8 ourselves unable to move cargo effectively and
 9 efficiently.

10 Our ports were also considered gross
 11 polluters. Many people said we couldn't do
 12 anything about port pollution, but leadership in
 13 our ports listened to our community and to leaders
 14 in Sacramento like now-Congressman Alan Lowenthal,
 15 and we embraced change. The ports adopted the
 16 Clean Air Action Plan, and we created a path
 17 towards zero emissions. Today, these ports lead
 18 the world in environmental stewardship. It is a
 19 part of our DNA, and ports from around the globe
 20 continue to seek our advice for their own
 21 environmental programs.

22 Those same naysayers claiming our ports

Page 114

1 couldn't go green said we couldn't replace the
 2 entire 3 to 16,000 diesel trucks that drove
 3 containers to and from our port everyday. Both
 4 ports adopted clean truck programs and partnership
 5 with a private industry who in turn invested
 6 nearly \$1 billion in very difficult economic times
 7 to replace all dirty trucks with clean new ones.
 8 This successful program has drastically reduced
 9 the amount of harmful diesel particulate matter in
 10 our community, and every major port in the country
 11 has followed the L.A., Long Beach lead on clean
 12 trucks.

13 Now, as we face a crisis that will
 14 require renewed cooperation and collaboration to
 15 find solutions, we cannot afford to listen to the
 16 naysayers of a decade ago. Our ports have a
 17 proven record of accomplishing great things by
 18 bringing the ports and industry together.

19 To address our congestion in 2004,
 20 legislation by Congressman Lowenthal was
 21 introduced to require marine terminals to be up a
 22 minimum of 72 hours a week, and this equates to

Page 115

1 nine 8-hour shifts. The marine terminal operators
 2 recognized a need for change, and they formed
 3 PierPASS.

4 PierPASS provides for off-peak delivery
 5 of containers helping to relieve congestion. A
 6 terminal has options on how many shifts they can
 7 work and how they spread it out, but usually they
 8 worked five day shifts and four night shifts.
 9 PierPASS charges a traffic mitigation fee for
 10 import and export containers during peak hours,
 11 which is considered the day shift. Currently, a
 12 beneficial cargo owner is charged a \$133 traffic
 13 mitigation fee for a 40-foot container.

14 At a time when our ports faced stiff
 15 competition from other U.S. West Coast ports, from
 16 Canada and Mexico, you need to focus on reducing
 17 costs to port customers and not increasing them.
 18 Today, our \$133 PierPASS fee forces many shippers
 19 to bypass our ports and explore more cost-
 20 effective options. In my opinion, we are chasing
 21 cargo away, and this fee is no longer sustainable.

22 The success of the PierPASS program has

Page 116

1 come from the shifting of over fifty-five percent
 2 of container movement by trucks to off-peak hours.
 3 Unfortunately, we regularly see trucks begin to
 4 queue outside of marine terminals started at 3:00
 5 p.m. These trucks and their drivers will wait
 6 outside the terminals until 6:00 p.m. when the
 7 PierPASS fee is no longer charged.

8 Truckers do not earn money waiting
 9 outside terminal gates. Just as important, trucks
 10 don't generate revenue sitting idle. Truckers can
 11 only work a total of 11 hours a day with a 1-hour
 12 lunch. Terminals that offer both shifts can be
 13 open from 8:00 a.m. until 3:00 a.m., and one may
 14 close three 1-hour periods during the day for
 15 longshore lunch breaks and for a shift change.
 16 Ten PierPASS shifts do not align with one trucker
 17 shifts. However, if we open our gates 24 hours a
 18 day, we can get two full truck shifts in that
 19 period. This is a much more efficient use of
 20 driver time and truck utilization. We can no
 21 longer deny port truck drivers the opportunity to
 22 earn a living wage.

Page 117

1 When PierPASS started, large container
2 ships averaged about 5,000 TEU. Those were the
3 APL ships that Jane's former company used to run.
4 Today, 19,000 TEU ships are being built, and
5 14,000 TEU ships regularly call at our ports. The
6 demand for 24/7 gates is coming from these next-
7 generation mega-sized ships. These ships are here
8 to stay with even bigger ones on the way.

9 These ships can have more than 10,000
10 total moves to unload and load. They need to be
11 turned around quickly, so terminals work these
12 vessels 24 hours a day, around the clock. These
13 megaships are causing terminal capacity issues as
14 they have outgrown the current PierPASS model. In
15 my opinion, it does not make sense to have vessel
16 operations 24 hours a day while restricting
17 delivery and receiving operations for truckers to
18 only 8 or 16 hours. We can and we must do better.

19 Our two ports need to work closely
20 together in partnership with our terminal
21 operators, labor, truckers, and our beneficial
22 cargo owners to build a sustainable program to

Page 118

1 improve terminal productivity and increase
2 capacity while reducing cost to efficient
3 operations.

4 I support the creation of a Joint Powers
5 Authority similar to the Alameda Corridor model.
6 The Alameda Corridor is truly a great success
7 story having been built on time and under budget.
8 The ports run ACTA, and we can create a similar
9 JPA that the ports could govern, and we would hire
10 an executive director and professional staff to
11 management.

12 Now, of course, our terminal operators
13 need to be compensated for the additional costs
14 that will occur. A sustainable fee structure
15 needs to be put in place to ensure this. We
16 should consider discarding the traffic mitigation
17 fee altogether and move to a simple transaction
18 fee. Each transaction may cost between \$10 and
19 \$20, which is a small fraction of the current \$133
20 charged by PierPASS. If we have 35,000 truck
21 moves a day, that's well over \$10 million a year
22 or \$10 million a year. Get \$10 a transaction,

Page 119

1 that's \$100 million.

2 As a starting point, we should target
3 the current level of revenue collected by PierPASS
4 for reimbursement to terminal operators on a
5 per-transaction basis. Again, I'm not trying to
6 take money away from terminal operators with this
7 idea. It would be a starting point. They need to
8 compensated for their additional costs. This
9 would create an incentive for terminal operators
10 to operate more efficiently while shippers should
11 and could expect fees to be reduced by eighty to
12 ninety percent.

13 The Joint Powers Authority would develop
14 intelligent software to run a real-time
15 appointment system. This technology exists today,
16 and it is time to implement it across the San
17 Pedro Bay ports. Terminal operators will be able
18 to more accurately predict their labor demand
19 needs to provide consistent good service while
20 reducing costs and turn times. It is simply
21 unfair to claim that there will be an increase in
22 annual costs for a port-administered program that

Page 120

1 will have an entirely different fee structure than
2 the PierPASS program.

3 In my opinion, it is time for the ports
4 to take the lead. The ports have a vested
5 interest in the efficient operations of our
6 terminals. PierPASS has had some success, and it
7 has served its original purpose, but it is time to
8 move forward. The ports are well positioned to
9 create a new, sustainable program that will
10 benefit all port users while continuing to
11 guarantee terminal operators a revenue stream to
12 help offset additional costs.

13 I was thinking of a name. Perhaps we
14 could call it GATES. It could stand for Gate
15 Appointment and Terminal Efficiency System or
16 whatever we come up with. One thing is certain:
17 The ports have visionary leaders in Jon Slangerup
18 and Gene Saroka, and I would not bet against our
19 success on anything we do.

20 The FMC has the responsibility to review
21 discussion agreements pursuant to the shipping
22 act, and the FMC has a history of encouraging

Page 121

1 agreements for ports to facilitate discussions on
2 operations and matters of common interest. Mr.
3 Chairman, special interests may claim the cost is
4 too high to move the ports to 24/7 gate
5 operations. I conclude my comments by raising the
6 question to everyone here: What is the cost of
7 doing nothing? Thank you for your time and the
8 opportunity to speak today.

9 CHAIRMAN CORDERO: Thank you,
10 Commissioner, for your comments.

11 Moving along, we are now going to
12 recognize Michael Johnson with the Harbor
13 Transportation Association. Michael's been very
14 involved in the trucking community, including the
15 California of Transportation Association, and
16 suffice to say you've been here quite a while to
17 make the appropriate observations in terms of
18 taking this to the next level or taking you to the
19 next level. Thank you so much, Michael, for being
20 here. Okay, Logistics Technology.

21 MR. JOHNSON: Good morning, Chairman
22 Cordero, Congressman Lowenthal, and to you, Janice

Page 122

1 Hahn -- oh, she's gone -- and the executive
2 directors of both ports and my esteemed colleagues
3 on this panel. I'd like to thank Chairman Cordero
4 for bringing this public forum together. This is
5 a giant step forward. I wonder why the
6 stakeholder leadership has not considered this
7 approach in the past.

8 I started my transportation career 34
9 years ago as a driver picking up break bulk, loose
10 cargo, and containers from the ports of L.A. and
11 Long Beach. The landscape has changed
12 dramatically over those 34 years, but one thing
13 remains constant, and that is truck congestion.

14 Today, I am speaking to you as president
15 of the Harbor Trucking Association. As you've
16 already heard, the HTA is a coalition of Los
17 Angeles and Long Beach intermodal carriers whose
18 purpose is to advocate, educate, and promote
19 strategies with all goods movement stakeholders
20 and policymakers that will sustain emission
21 reductions, provide a dialogue for intermodal
22 truck efficiency, and keep cargo and jobs in

Page 123

1 Southern California ports.

2 And I'm speaking to you as the manager
3 of the L.A. And Long Beach Transportation
4 Division Port Logistics Group. Just to give you a
5 little background, Port Logistics Group operates
6 over 3 million square feet in City of Industry
7 facilities -- thank you, Fran Inman -- a 26 acre
8 facility in Long Beach or Rancho Dominguez, as
9 well as similar-sized facilities in Clifton,
10 Secaucus, Newark, New Jersey, and Sumner,
11 Washington, or Seattle.

12 Congestion affects our entire supply
13 team network and the customers that we service.
14 PLG operates approximately 250 drayage trucks and
15 moves 70,000 containers annually. We've gathered
16 here today to talk about congestion and the
17 negative impact it has on the competitiveness of
18 all the stakeholders in the San Pedro Bay port
19 complex. We have all been witness to the
20 congestion that (inaudible) ports and the
21 consequences. It is time that the industry, ocean
22 carriers, marine terminal operators, beneficial

Page 124

1 cargo owners, trucking, and the port authority
2 take a proactive approach to this problem.

3 The solutions to congestion are complex,
4 and they are obtainable if all of the stakeholders
5 come to the table, leave their egos at home, and
6 agree to solutions. It is not just a trucking
7 problem, and it will require an industry solution.
8 If I can borrow a phrase from my colleague, Alex
9 Cherin, there are four topics I want you to
10 remember about my conversation with you this
11 morning: Technology, labor, interchange
12 agreements, and the gray chassis pool management.

13 To technology, while the entire world
14 has taken advantage of the emerging technology,
15 especially the benefits of handheld devices, port
16 authorities throughout the nation, labor, and the
17 marine terminal operators have virtually ignored
18 the fundamental benefits of this technology. The
19 HTA, Harbor Trucking Association, Truck Mobility
20 Data or TMD or turn time study, has brought a
21 valuable 1-hour metric to this industry that can
22 be argued as the standard that every marine

Page 125

1 terminal should be expected to achieve.
 2 As I have stated in numerous
 3 presentations, marine terminal operators have very
 4 little information why the truck is in line until
 5 it reaches the pedestal and the truck driver
 6 communicates with the ILWU clerk. This lack of
 7 communications prior to the arrival of the truck
 8 creates many problems and does not give the marine
 9 terminal adequate time or information to
 10 efficiently service the thousands of trucks that
 11 visit each day.
 12 I'm fortunate to be involved in a
 13 possible solution to this problem through my work
 14 with the Gateway Cities Council of Governments,
 15 the ITS Working Group, the U.S. Department of
 16 Transportation and Highway Administration. The
 17 Flate Advanced Travel Information System, or
 18 FLATIS, is showing a great deal of promise as
 19 being tested in this port. FLATIS and similar
 20 technology has the potential to resolve many of
 21 the port- related congestion issues we are facing
 22 by providing a preplanning mechanism.

Page 126

1 This technology allows communication and
 2 planning through computer systems and does not
 3 rely solely on human intervention to make it work.
 4 It allows the drayage trucker and the marine
 5 terminal to preplan. This type of planning is
 6 virtually nonexistent today. If implemented
 7 port-wide, it could revolutionize the industry.
 8 Number two: Labor. ILWU labor must
 9 adapt and embrace the changes in technology.
 10 Every ILWU employee, including casuals, must have
 11 the knowledge of building and training necessary
 12 to operate systems at each marine terminal. They
 13 must focus their mindset on productivity and
 14 safety. ILWU has built a legacy that is not
 15 necessarily perceived as productive or
 16 performance. This must change.
 17 Port drivers, the men and women driving
 18 the port drayage trucks, must be given the same
 19 opportunities and chances to build better lives of
 20 independent contractors or employees. As ILWU has
 21 been treated with dignity and respect, the truck
 22 drivers depend on ILWU labor to move the trucks in

Page 127

1 and out of the marine terminals in a safe and
 2 efficient and timely manner.
 3 The next point is the UIIA or Uniform
 4 Intermodal Interchange and Facilities Access
 5 Agreement, better known as the UIIA. First of
 6 all, I believe that this agreement is necessary.
 7 However, because of inefficiencies, gate closures,
 8 and congestion of marine terminals, it is unfairly
 9 slanted towards the benefit of the equipment
 10 providers. The LMC must sign and agree to the
 11 terms in its entirety in order to conduct business
 12 with the ocean-carrier-owned equipment, which used
 13 to cover containers and chassis.
 14 This has all changed since the
 15 privatization of the chassis. We understand that
 16 the equipment agreements are necessary to protect
 17 the assets in use, however, the efficiency of the
 18 marine terminals, daily gate operations, and
 19 closures directly impact the motor carrier. By
 20 virtual disagreement, the providers can charge any
 21 amount they sit for per diem.
 22 There is no correlation in the agreement

Page 128

1 that ties hours of operation, productivity, and
 2 accountability of that marine terminal to the per
 3 diem cost the ocean carriers are charging. Per
 4 diem costs are strangling the license motor
 5 carriers with no oversight tied to the
 6 productivity of the marine terminal. This
 7 one-sided agreement must hold the relationship
 8 between the equipment providers and the marine
 9 terminals that are hired to perform these
 10 transactions accountable for nonproductivity and
 11 relief from the charges.
 12 To chassis, the shift in ownership of
 13 the most vital component of port drayage, the
 14 chassis has shifted from ocean carriers to leasing
 15 companies. The result of this shift has placed
 16 the initial cost of the chassis directly on the
 17 shoulders of the individual trucking companies who
 18 have no control over how the assets are managed,
 19 deployed, or used. Vessel sharing agreements have
 20 led to an unproductive model as it pertains to the
 21 return of empty containers and the chassis that
 22 they are riding on.

Page 129

<p>1 Look at the port today. Chassis are 2 simply not available in the numbers needed to keep 3 the cargo flowing. The cost of repositioning the 4 badly needed equipment has largely been placed on 5 the motor carrier, and the management of the 6 numerous pools that are operated on the pool and 7 rail complexes must be able to accommodate the 8 changes in port volumes and be available where 9 needed.</p> <p>10 Solutions. First, the port must set 11 minimum standards associated with the movement of 12 trucks in and out of the marine terminal. I'm 13 highly critical of the continued lack of 14 leadership from both ports in this area. If the 15 marine terminal's management and labor can 16 continually and efficiently discharge and reload 17 vessels within a forecasted time frame, why has it 18 taken so long to begin to focus on truck turn 19 times?</p> <p>20 The reason is simple. The vessel 21 operation has a price that must be paid by the 22 vessel operator to the marine terminal. There is</p> <p style="text-align: right;">Page 130</p>	<p>1 traffic conditions from the discretionary cargo 2 that was traveling by truck to the various 3 importers and distribution centers in the region. 4 It was never intended or financially structured to 5 handle 50 to 60 percent of the cargo that passes 6 through this gateway, and the intention was to 7 have two complete shifts operating uniformly for 8 five shifts a week.</p> <p>9 Today, the marine terminals close their 10 gates when they feel the need with no concern for 11 the productivity and cost this places on the motor 12 carrier. This must change to a 24/7 operation 13 paid for by a restructured fee concept. The fee 14 restructuring pays for the extended gates and 15 labor, produces an efficient, economic powerhouse 16 of a port complex not seen on the entire planet. 17 The gray chassis pool must be implemented and 18 efficiently managed, providing benefits to the 19 motor carrier and marine terminal operator. We 20 must have adequate numbers and types of equipment 21 available when needed. I see the day coming when 22 trucks will be more likely to hold onto the</p> <p style="text-align: right;">Page 132</p>
<p>1 no financial incentive or penalty that motivates 2 the marine terminal operator to focus on truck 3 visit times. Once we tie the productivity of the 4 marine terminal to assist them with incentives and 5 penalties, there will be, without a doubt, a much 6 greater focus on truck visit times. There must be 7 a financial incentive to move the trucks within 8 the 1-hour metric.</p> <p>9 24/7 gates and the restructuring of the 10 PierPASS concept. Traffic mitigation is necessary 11 with this many trucks arriving and departing the 12 port complex each day. PierPASS fees are only 13 charged on approximately 27 percent of the total 14 number of containers that pass through this 15 gateway. The concept of PierPASS was to add 16 additional gates to improve the flow of trucks to 17 two shifts rather than one. This was really the 18 first step to mitigate the effects of emissions 19 from the thousands of trucks left idling in the 20 streets waiting to be serviced at the L.A. Long 21 Beach marine terminals.</p> <p>22 The PierPASS concept improved bayside</p> <p style="text-align: right;">Page 131</p>	<p>1 chassis and move them from terminal to terminal 2 without the incumbences and delays we see today.</p> <p>3 Trained, productive labor and labor 4 management that is willing to accept the 5 challenges that new technology brings and the 6 foresight to embrace it. Lastly, all stakeholders 7 must be at the table in a continued effort to 8 remain relevant to the challenges this port faces 9 each day. All of us: The port authority, the 10 beneficial cargo owner, the marine terminal 11 management, ILWU labor, and trucking must come 12 together and continually work on these solutions 13 to make this the most dynamic and efficient port 14 in the world.</p> <p>15 I thank you for the time that you've 16 allotted me.</p> <p>17 CHAIRMAN CORDERO: Thank you, Michael, 18 for your comments on these challenging issues.</p> <p>19 Next we're going to go Michael Mayor of 20 Mayor Logistics. Mr. Mayor, thank you for being 21 here this morning, and again, interested to hear 22 commentary given your segment of the industry.</p> <p style="text-align: right;">Page 133</p>

1 MR. MAYOR: Thank you, Commissioner. If
 2 it's not broke, don't fix it. It was far too long
 3 the mentality of the goods movement in our
 4 industry. Over the years, capital investments for
 5 improvement in our infrastructure have been
 6 substantial but not enough to keep pace with the
 7 growth of our U.S. economy.

8 There is an intricate web of
 9 dependencies within our supply chain, and port
 10 congestion is one of those. It cascades into
 11 failures outside the transportation model and far
 12 reaches across the United States. Its
 13 consequences are direct upon our U.S. economy,
 14 directly to the California southern ports in terms
 15 of the warehouses that we service. We no longer
 16 have a threat of losing our competitive edge in
 17 the ports because many of our customers have
 18 shifted a lot of their cargo to the east, reducing
 19 congestion in the west. But as cargo moves east,
 20 so will the congestion.

21 A continuous dialogue regarding
 22 information about the current issues needs to be

Page 134

1 strongly emphasized. As Commissioner Dine stated,
 2 the task force to represent these parties needs to
 3 be involved directly.

4 Technology is what PierPASS is. They
 5 started out as a technology company, and they must
 6 evolve like all other good technologies.

7 Currently, PierPASS has placed fifty- five percent
 8 of their moves to the night time. We have
 9 aggregate data over the history of PierPASS, and
 10 we believe that using this data we should be able
 11 to create a task force and be able to not fragment
 12 the industry as much as the appointment systems
 13 and terminals have created currently.

14 Smart phones, onboard truck units,
 15 tablets, and social media is connecting the world
 16 at a revolutionary speed. The world is a much
 17 smarter place, and we believe that the
 18 communication that happens between the terminal,
 19 the shipper, the consignee, and the trucker is too
 20 fragmented. That being said, in the history of
 21 mankind, those who learn to collaborate and
 22 improve most efficiently have prevailed. Thank

Page 135

1 you.

2 CHAIRMAN CORDERO: Thank you very much,
 3 Mr. Mayor. We're going to move forward with Rich
 4 Nazzaro, and after Mr. Nazzaro's commentary we
 5 will commence the open forum. It is now 11:20.
 6 We're going to take a break at 11:30 for lunch and
 7 reconvene at 2:00 o'clock. Mr. Nazzaro, the floor
 8 is yours.

9 MR. NAZZARO: Thank you, Commissioner,
 10 Chairman. I'll be brief. We're running a small
 11 trucking fleet; only 50 trucks. We have about 80
 12 drivers. Every day they're facing the challenge
 13 of this congestion, and the problem seems to be
 14 not that there's congestion -- that the
 15 communication is horrible.

16 What I mean by that is that between the
 17 steamship lines and the ports, no one ever tells
 18 the truth. No one does. Everyone there tells you
 19 life is grand. There are no lines. But you can
 20 ride up and down that bridge, and there are trucks
 21 waiting 2 and 3 hours to get in.

22 We're running multiple shifts at

Page 136

1 multiple times, so we're working within the hours
 2 of this port, and we're doing everything we can to
 3 be part of a solution, not a problem. But the
 4 only problem that I'm seeing is that the trucking
 5 community has to always be the solution, that we
 6 have to deal with all the problems. No one else is
 7 becoming the solution.

8 You stop PierPASS, we don't complain.
 9 It's part of what it is. We run day and night.
 10 Do you know how many people pay PierPASS in my
 11 business? Everybody. Even though the numbers
 12 don't reflect that, they pay it so that they have
 13 the opportunity to pick up day and night. You
 14 might say, well, only 55 or 27, whatever your
 15 number is, to go in during the day, but that's
 16 only because to balance it we go at night. The
 17 people pay for day and night because they know of
 18 all the congestion here.

19 We have to really, really look at what
 20 we got going here. What's really going on? You
 21 have a labor issue on a constant basis. Terminals
 22 are just shutting down because they're either

Page 137

1 protesting, striking; they're doing something
 2 every day. There's no consistent shifts. You
 3 come in Monday morning, this terminal closed for a
 4 reason. You come in on Thursday, there's another
 5 closure. No, we're going to open up on Saturday
 6 because we're not going to have a Friday night
 7 gate. Meanwhile, half the terminals are closed
 8 because they say they don't have the volume.

9 What do we do? Do we just keep on
 10 spending money, be a part of this? If you're
 11 going to run a system that says Monday through
 12 Friday during the day and then Saturday's an extra
 13 day, everybody needs to be open. It can't be at
 14 their leisure because then me, as a trucker, what
 15 do I do? I pay per diem, \$85 for one day, and it
 16 just keeps on increasing. Nobody cares. Nobody
 17 wants to hear about the problem.

18 We're trying to be a solution. We can't
 19 be a solution without the help of everyone in the
 20 industry. But how do we continue to fight this
 21 battle when it just never ends? It's not easy to
 22 just sit here and say, oh, we've got a problem,

Page 138

1 we've got a problem, we've got a problem.

2 I don't believe we have a problem every
 3 day, but I will tell you this: There used to be
 4 congestion sporadic during the year, a couple
 5 weeks. Now it's become the norm. That's the
 6 problem. It's the norm. It's not a norm the way
 7 you have a problem for a couple weeks, something
 8 happened. No, this has become the norm of the
 9 industry, and it's become acceptable.

10 My customers don't want to hear about
 11 it. I think I speak for a lot of people in the
 12 room, nobody wants to hear about it. We're here
 13 today, that's great. But the question is what's
 14 going to happen tomorrow? We can't even figure
 15 out what to do on a day-to-day basis, never mind
 16 the long term. I don't think we're going to
 17 resolve this long term because I don't think
 18 there's enough land down here at the port to take
 19 in all these containers.

20 Now what do we do? There's no land, no
 21 chassis available. You say, hey, let the trucker
 22 get the chassis. Where am I putting it? I don't

Page 139

1 have a piece of property. So, I go from a 3-acre
 2 yard to a 10-acre yard? Where is that yard going
 3 to be? Out in the Inland Empire? That doesn't
 4 help me any.

5 We're not going anywhere right now, and
 6 it's really, really a sad situation. The people
 7 that work for me and work for our company, I feel
 8 bad for them every day because they fight so hard.
 9 I have tell you, that's what this is about -- the
 10 day-to-day life of all the people, whether it's a
 11 dispatcher or driver. Everybody deserves to earn
 12 some money. I have no problem with the drivers
 13 making money. I think they deserve it. It's 2015
 14 practically. To pay a guy \$20 an hour or better,
 15 why not? He needs to make a living.

16 It's an industry that wants to go
 17 backwards, and we need to go forward. That's what
 18 I'm scared of. I'm scared that we're going to go
 19 backwards and not forward, and then everyone in
 20 this whole country's going to be saying, what
 21 happened? What happened is there are no resources
 22 to get the job done.

Page 140

1 CHAIRMAN CORDERO: Mr. Nazzaro, again, I
 2 appreciate your commentary. In the interest of
 3 time, with the correct time is we're about to
 4 approach 12:30 for our lunch break. Let me just
 5 conclude with a commentary.

6 I think as you referenced and as I
 7 referenced earlier as you heard the speakers, this
 8 is a national issue. It is not restricted to a
 9 regional problem. Again, one of the things you
 10 said that is very interesting is the question is
 11 what are we going to do tomorrow? That's an
 12 appropriate question because if we do nothing and
 13 the status quo continues, whether it's in this
 14 region or any other region in the country, we will
 15 have a crisis.

16 But again, on a sense of optimism here
 17 -- and I think earlier you heard people say --
 18 this particular port complex has a prior history
 19 of taking on challenges and having the leadership
 20 to succeed. Again, I myself, when I came out of
 21 the Port of Long Beach in 2003, and you all
 22 remember the issues before us, whether it's with

Page 141

1 Port of L.A. Or Port of Long Beach, and the Clean
2 Truck Plan, the Clean Air Action Plan, and a lot
3 of people recognized challenges as you have, Rich,
4 and perhaps the impossibility.

5 But on a sense of optimism, if you use
6 that as a parallel, the sense of optimism really,
7 out of this room, should be real, flowing, and
8 growing because you have undertaken challenges in
9 the past, and you will again not only for the
10 betterment of this region, these ports, this city,
11 this State of California with a 38 million
12 population of consumers, but for the nation. With
13 that I will close, and we will reconvene at 2:00
14 to have the public forum with regard to the
15 comments from those of you who have been patiently
16 waiting. Thank you so much.

17 (Recess)

18 CHAIRMAN CORDERO: In the interest of
19 time, we're going to move forward. I know there
20 are people coming up on the elevator from
21 downstairs.

22 Thank you so much those of you who are

Page 142

1 here this morning and are returning here for the
2 afternoon session. It's evident of the fact how
3 important this issue is to have a dialogue and to
4 further stimulate collaboration. As you heard
5 this morning, basically what I'm hearing this
6 morning is the interest to collaborate and the
7 interest to address an issue that's so important
8 not only to this region, but throughout our
9 gateways and the nation.

10 We heard commentary with regard to
11 setting standards, objectives, using metrics, that
12 is so important, and technology. I think there's
13 a lot to be said in terms of this particular
14 region, this particular port complex, and the
15 leadership that has exemplified it in the past. I
16 feel very good about the commentary I heard this
17 morning.

18 I also again want to thank and sincerely
19 appreciate on behalf of the Federal Maritime
20 Commission the participation of these two great
21 executive directors. Obviously you could see it
22 by the fact that they have dedicated most of their

Page 143

1 day to be here how important it is to them. They
2 want to make sure that we listen to the
3 stakeholders, and it's an issue that I know, in
4 discussing with this issue with them personally,
5 they take it very much at heart. I'm looking for
6 good things to happen despite the tough
7 challenges.

8 The afternoon session will be a
9 commentary session. I look forward to hearing
10 from some of the stakeholders. I know that part
11 of this question also involves shippers and
12 railroads. Now, I will tell you this: In my
13 position, I've the opportunity to meet with many
14 stakeholders, including those from the shipping
15 industry and railroad industry, and I think it's
16 fair to say that though sometimes you may not be
17 visible at public forums like this one, I think
18 it's very fair to say and emphasize how important
19 they believe this issue is.

20 With that, we're going to move forward.
21 Who I have first to address the forum is someone
22 who, again, needs no introduction with regard to

Page 144

1 this industry, more particular in the marine
2 terminal operations -- Ed DeNike. Ed, thank you
3 so much for accommodating your schedule and
4 actually flying in to be here. Without any
5 further ado, I'd like to welcome Ed DeNike.

6 After Ed makes his comments, then again
7 we'll go down to hear your comments, your
8 suggestions, your resolutions, and solutions
9 because what we're trying to get here is not so
10 much just complaints about it. Let's get to the
11 real discussion about how we solve this as a
12 maritime community.

13 In the interest of time, preliminarily,
14 I think I'm going to give -- with the exception of
15 Ed -- Ed, you could talk all you want; there's no
16 time limitation. I say that because here's a
17 gentleman who has poured his lifetime, his career,
18 into the industry and has been a part of
19 containerization as we know it today.

20 But thereafter, we're going to allocate
21 3 minutes per speaker because, again, I know
22 there's probably a number of you that want to

Page 145

1 share your input and your views. Thank you so
2 much. Welcome, Ed DeNike.

3 MR. DENIKE: Thank you, Chairman
4 Cordero, Gene, Jon. It's good to see both of you.
5 I came down this morning because I feel that what
6 we're doing here today is crucial to our industry.
7 SSA has seven large container terminals on the
8 West Coast. We have about twenty to twenty-five
9 percent of the man hours. We are the largest
10 employer on the West Coast, and we also operate in
11 most every other port in the United States.

12 I wanted to talk about turn time. First
13 of all, I wanted to make sure that everybody
14 understands it's a misconception for people to
15 feel that terminal operators don't care about
16 truckers. We also own a large truck company in
17 that report. We also see what it takes and how
18 hard these guys work, and it's difficult for them
19 to make a decent living.

20 On the other hand, we're not sure what
21 to do about it. When you operate a terminal as we
22 do, you're talking about a very large expense.

Page 146

1 Each shift is between one hundred and one hundred
2 thirty thousand dollars a day. We try to do a
3 good job. When I say 'we' I believe I'm talking
4 about all the terminal operators.

5 One of the most important reasons that
6 I'm here is because I understood that there was a
7 concern about whether or not PierPASS should be in
8 operation. I can tell you that we handle,
9 sometimes, four or five hundred trucks an hour at
10 several of our terminals. This port, L.A. And
11 Long Beach, is the only port in the country -- I'm
12 calling it a joint port -- that we really have a
13 night operation, and it's saved us. Without
14 having a night operation, we couldn't survive.

15 PierPASS has done a great job for us,
16 and I think they've done a great job for the other
17 terminal operators in that when we started this
18 years ago, when the state was looking at mandating
19 night operations, the concern that we had as
20 terminal operators is how are we going to get
21 reimbursed for this?

22 Our contracts with the steamship lines

Page 147

1 are clear. We get paid for Monday through Friday,
2 8 to 5. Anything other than that we don't get
3 paid for. It's difficult to determine or to
4 imagine us trying to be open hours other than 8
5 through 5, Monday through Friday. A cost for a
6 longshoreman today is anywhere between \$900 and
7 \$1300 a day. One person. Again, a well-running
8 terminal hires 100 to 130 guys a day.

9 The thing that we're experiencing right
10 now is that truckers aren't getting in and out of
11 the terminal in the time that they need to get in
12 and out of the terminal, and all they can see is
13 it's the terminal operator that's not doing the
14 job. The fact of the matter is there are
15 things that we can't control.

16 To date, we have two major problems. The
17 one, I understand, people have already talked
18 about is the chassis shortage. I, just this
19 morning, told one of our biggest accounts we could
20 not handle their ships any longer at one of our
21 larger terminals here because they can't supply
22 chassis. We're working two gangs on ships today

Page 148

1 when we should be working six and seven gangs
2 because we have nowhere to discharge containers.

3 We have containers that are what we call
4 stockpile. I can remember if a terminal operator
5 had 10 containers stockpiled out of an area where
6 they can't deliver, it was an absolute
7 catastrophe. Today we have thousands that are
8 outside the transfaner delivery rows because we
9 don't have chassis to deliver them.

10 This isn't our fault. In some of our
11 terminals we have guards that have to remain in
12 what we call a chassis pit because the truckers
13 wait for chassis that are coming in. Then when a
14 chassis comes in for a certain line, they'll fight
15 for that chassis because they've been waiting
16 there, sometimes hours, for that chassis to come
17 in. A guard has to determine who was there first.

18 The truckers looking at this, I'm not
19 sure that they understand that this isn't us. We
20 don't own these chassis. These chassis belongs to
21 our customers or our customers had leased them
22 from somebody who's supposed to be supplying them.

Page 149

1 I can tell you that in Southern California
 2 specifically, if there was the required amount of
 3 chassis much of this problem would go away.

4 Another part of it is when we started
 5 this day and night operation, the same truckers in
 6 a lot of cases drive day and drive night. There
 7 was not a dedicated day shift and a dedicated
 8 night shift for truckers. We have to pay people 8
 9 to 10 hours a day when they come to work. If you
 10 look at the terminals from 8:00 to 10:00 in the
 11 morning, it's empty. No trucks there. Years ago
 12 before PierPASS or any other port, if you go at
 13 6:00 in the morning, sometimes they line up the
 14 night before. There's a huge amount of trucks
 15 waiting to come in when the terminal opens.

16 Today there's not very many at all
 17 because they worked at night. Then they come in
 18 at 10, 11 o'clock, and they work for the rest of
 19 the day, and in most cases after lunch at 10, 11
 20 o'clock, they go home.

21 In the meantime, we're paying full
 22 shifts. At 8 to 10 hours a day, \$1,000 to \$1,200

Page 150

1 a person, 100 to 130 people, 8 hours, not 6 hours
 2 and not 5 hours. We need the trucking community
 3 to have a more even flow of when these trucks are
 4 going to come in.

5 Now, that being said, the problem is
 6 much better today than what it was when we started
 7 a couple years ago, but it's still a problem. If
 8 you come to our terminals at 11 o'clock tonight,
 9 you won't see many trucks there. If you come to
 10 our terminals tomorrow at 8:00 in the morning, you
 11 won't see very many trucks there. If you come to
 12 the terminals at 10:00 or 11:00, you're going to
 13 see a line of trucks there. You come at 3:30, 4
 14 o'clock, you're going to see a line of trucks.

15 We can't man up labor for spurts during
 16 the day. We have to have even flows throughout
 17 the day to make any sense financially to be able
 18 to service these truckers.

19 Now, as I said, I can go on about other
 20 things too, but these are the two major items.
 21 It's items like that that we need to discuss. I'd
 22 like to suggest that we have these kinds of

Page 151

1 meetings between people like us and truckers.
 2 Truckers need to know we're not against them.
 3 Believe it or not, we're trying to make money like
 4 everybody else. The system today in this industry
 5 is difficult to make money. We're all in the same
 6 boat here. We're not making a boat of money and
 7 not trying to do the job. We're trying to survive
 8 like everybody else, and I think terminal
 9 operators are trying to survive; all of them.

10 I just felt the two things, number one,
 11 again, PierPASS has done a wonderful job as far as
 12 we're concerned because we get reimbursed. We
 13 were worried about from day one how we were going
 14 to get reimbursed. PierPASS has been very fair
 15 and reasonable and accurate on how they reimburse
 16 terminals for the night work.

17 You hear the 24 hour, 7 days. We can't
 18 operate two full shifts, as I said. How are we
 19 going to operate three shifts? It's good to say
 20 we want to be open 24 hours, 7 days, but we have
 21 to figure out how that's going to happen. Today,
 22 we're open two shifts; we're maybe working a shift

Page 152

1 and a quarter.

2 I think that's about it, and I
 3 appreciate you listening. Thank you.

4 CHAIRMAN CORDERO: Ed, thank you so much
 5 for your comments and your views, and I think in
 6 the spirit of what we have today is, again, this
 7 interest of all working together and collaborating
 8 and studying the very important issues. The
 9 common objective is that we move towards
 10 efficiency and address cost issues and so forth.
 11 Thank you again for particularly taking the time
 12 to fly in.

13 Now, as we move forward, I would like to
 14 invite you, the public, to make the commentary.
 15 Having taught at the community colleges for many
 16 years, it's always interesting when you open it up
 17 because, by our nature, no one wants to be the
 18 first one. Oh, well, there you go. We have one.

19 Let's start. I'm going to put a
 20 3-minute cap. I'm going to be real tough on that
 21 because I foresee we probably have a number of
 22 commentators. Moving forward, I just want to make

Page 153

1 sure everybody has the opportunity to speak. The
2 only thing I would ask is state your name for the
3 record and the company or association that you're
4 speaking on behalf.

5 MR. NEVAREX: My name is Ernest Nevarex.
6 I will speak for myself only, but I have a lot of
7 my friends who are truck drivers for decades, and
8 some who are organizing.

9 I'm going to put most of my detailed
10 comments in writing. You will get it. First I'm
11 just going to blip out statements.

12 First, the trains. Very little has been
13 said about trains, except you did mention it in
14 your opening remarks. After 40 years, we're doing
15 oil export; one million barrels a day. The trains
16 are moving oil. They're no longer moving
17 containers, especially in the northwest.

18 You have all this grain that's starting
19 to rot, so it's going to start moving through the
20 harbor here. We might need elevators or they're
21 going to have to put in containers. Please do not
22 underestimate what is happening with oil. Oil is

Page 154

1 moving by rail. Containers are going to pile up.

2 As for trains also, I heard that one of
3 the lawsuits got dropped in the federal court in
4 Pasadena recently. It'd be nice if the port
5 across the harbor dropped their lawsuits too so
6 Skig could be built.

7 Some things that have been happening is
8 the talk about quartz. I stood here 26 years ago
9 and talked before Ira Distenfield. These workers
10 are employees that are misclassified. People
11 laughed 26 years ago.

12 The Ninth Circuit Court of Appeals last
13 week decided in a published case that FedEx
14 drivers are employees making deliveries. That
15 applies to the L.A. Harbor. In fact, at the rails
16 you heard about HUB. About 400 truck so- called
17 owner-operators -- they're now employees. What's
18 going to happen in the harbor? Now drivers are
19 employees, and then you have preemption.

20 Interstate commerce doesn't have to
21 follow state law? Uh-uh. Pack Incur State
22 Supreme Court last month: No preemption on labor

Page 155

1 code. Drivers are employees. The lawsuits.
2 Gosh, the lawsuits. People here got sued by six
3 drivers last week. Other people have their
4 dispatchers dispatching trucks even though they
5 have labor contracts. It's all going to stop.

6 We need efficiency. It's going to be
7 tough at first financially. It's going to be a
8 hit. It's going to be chaos. When there's chaos,
9 workers organize. You will go through economic
10 chaos unless you are ready. It's going to apply
11 to California. You, as a commissioner, have to
12 make sure it's all even across the nation.

13 It's going to hit California hard.

14 Workers are excited. In fact, even labor unions
15 have to recognize truck drivers have a right. My
16 colleague, Mr. Cleary, says that up to 6 hours in
17 the harbor there's no contract for the work. The
18 ILWU has to recognize port drivers doing staging
19 on port property need to be included in talks.

20 Finally, trucking companies have no
21 written contract with the terminals on how the
22 work is supposed to be done. The UIIA is only a

Page 156

1 contract for leasing of equipment on a daily
2 basis. There is no contract on how to do the work
3 by the trucking companies. That's what's missing.

4 There's no contract for the workers.

5 Once they leave the control of the trucking
6 companies, they're under the control of the
7 terminals. They do 6 hours a day under the
8 control and direction of terminal staff --

9 CHAIRMAN CORDERO: Ernesto, your time is
10 up.

11 MR. NEVAREX: Okay.

12 CHAIRMAN CORDERO: I do apologize.

13 MR. NEVAREX: Drivers need to be
14 included in the contract talks between ILWU and
15 PMA. Thank you.

16 CHAIRMAN CORDERO: Thank you very much
17 for your comment. One of the things I referenced
18 this morning was the fact that this is a national
19 issue involving many stakeholders, which includes
20 the railroads. The issue of congestion in our
21 nation, our potential crisis with regard to that,
22 also, as I mentioned this morning, involves long-

Page 157

1 haul trucking and what's going on in the
2 intermodal yards throughout the country. It's not
3 unique to this region, and it's not something that
4 we're restricting in our analysis.

5 Last, just to correct for the record,
6 with regard to the Skig litigation, just for the
7 record so we're clear, the court's not involved on
8 that. I think you referenced the port; they're
9 not a party to that. I know what you were
10 referring to, but again it's evermore important to
11 make sure that as the port PA move forward and we
12 recognize the urgency of infrastructure, including
13 intermodal and railroad projects.

14 Next speaker, please. Yes. Again,
15 state your name for the record and your
16 association that you represent.

17 MR. CORONA: Yes, sir. My name is Juan
18 Corona. I've been a truck driver for more than 20
19 years. I'm 53 years old, and I don't know where I
20 am going to end up with this kind of job.

21 I've been misclassified all this time
22 because I didn't know. I'm ignorant of the laws

Page 158

1 of the U.S.A. I just want to let you know that I
2 worked last week 3 days, and I got paid \$16 for
3 those 3 days because I'm fighting for this. I
4 worked 3 days, and I end up with \$16. Also, a lot
5 of my coworkers got fired. I don't know if you
6 remember. We were here in (inaudible), but he's
7 not going to have retaliation against us, and 32
8 of my coworkers got fired a week or 2 weeks ago.
9 I just wanted to let you know that we need your
10 help. It is hard to make money as a truck driver.

11 One day I went to APO. I got there at
12 12 noon trying to get a load. At 5:00 p.m., the
13 class trainer came to me, and then he couldn't
14 land it because the container was damaged from the
15 bottom, so I got out with nothing. I didn't get
16 paid a single penny for that, and I spent 5 hours
17 there. You guys can help us. I don't know what
18 you can do, but there is something you have to do.

19 I'm 52 years old. My teeth are falling
20 off. I have no money to go to the dentist. I
21 have no health coverage. I have nothing. After
22 22 years, there's people that come into U.S.A.

Page 159

1 The lady got married with a veteran, and he gets a
2 monthly check, he's got medical, he's got
3 everything. He's been (inaudible) for 2 or 3
4 months, and I've been working here for more than
5 20 years, and I can't afford anything. That's all
6 I can tell you. Thank you for --

7 CHAIRMAN CORDERO: All right. Thank you
8 so much for your comments. As you heard this
9 morning, I think stakeholders are very much key to
10 the fact that turn times is an important issue.
11 Hopefully as we move forward, a collaboration of
12 some of these questions -- I think the truck turn
13 times are very important. This then translates to
14 the opportunity for truck drivers, be it an
15 employee or independent contractor, to be more of
16 a beneficiary on that.

17 MR. CORONA: Thank you.

18 CHAIRMAN CORDERO: Next speaker, please.
19 Here we go. Thank you. Then we have the
20 gentleman back there. You'll be right after the
21 young lady. Thank you so much. Your name and
22 your association?

Page 160

1 MS. LANGFORD-COTY: Sandy Coty. I'm
2 representing Los Angeles Customs Brokers & Freight
3 Forwarders. Just wanted to point out we're seeing
4 9, 10-day delays on VACIS exams at the ports. We
5 think it's related to the chassis issue.

6 One of the questions we had for the
7 ports is if you know a container's targeted for an
8 exam, it's targeted prior to the vessel arriving.
9 Therefore, is it not important to put a container
10 that's targeted to be a potential risk directly
11 onto wheels because it can't go through the
12 radiation portal if it's not on wheels, right?

13 We had containers of fresh fruit that
14 have spoiled because we can't get them through the
15 VACIS, and most of them have agriculture holds,
16 etc.

17 The other issue we have is one of our
18 ports, part of their tariff does not charge
19 demurrage on exams for certain holds. The other
20 port does not have this as part of their tariff.
21 We do work with the other port to get the
22 demurrage waived, but that takes a lot of time, a

Page 161

1 lot of effort, and delays.
 2 Just something to point out whether the
 3 FMC would consider not allowing ports or carriers
 4 to assess demurrage on containers that are
 5 targeted for exams across the whole country, not
 6 just here.
 7 We are also big proponents that the FMC
 8 should work with the carriers or the trade
 9 community with the supply and the quality of
 10 chassis. That, as we've heard, is a huge issue.
 11 The appointment for the port truckers
 12 that are delayed 5 hours. They make their
 13 appointment, they show up, and they get turned way
 14 because they didn't get there in time because they
 15 were in line. They can't get there if they're in
 16 line. We have an experience of a trucker, three
 17 turns it took him to get in and get a container
 18 out. That's 15 hours to get one container out.
 19 We have the misfortune of then having to make the
 20 phone call to our customer to tell them the
 21 container didn't come out. Obviously it affects
 22 them. They didn't meet their delivery. They may

Page 162

1 not make their cutoff for their deliveries, and
 2 they get deductions from their customers, etc.
 3 It's been a huge cost to us to
 4 facilitate, make the appointments, pay the
 5 demurrage, pay it again, pay it again, call our
 6 customer to tell them it didn't happen even though
 7 we were promised the container was going to be
 8 staged the next day. It reflects poorly on us as
 9 a brokerage or forwarding community that we can't
 10 deliver for something that we have no control
 11 over.
 12 Just real quick, in addition to the cost
 13 you were speaking of to us, being part of the
 14 middle man between us and the trucking companies
 15 was a source of revenue for us. We could get
 16 involved with the drey and help the customers that
 17 didn't have a drey company. Now it's become to
 18 difficult, we get additional bills down the line
 19 because of chassis pulls and -- that we weren't
 20 expecting. It's become an administrative
 21 difficulty for us, and it adds a lot of cost to
 22 our transactions. I just wanted to point out that

Page 163

1 all these things affect our bottom line as well.
 2 Thank you.
 3 CHAIRMAN CORDERO: Thank you so much.
 4 Sandy, you touched on the issue to merge, and not
 5 an issue that's restricted to the local area here.
 6 When we talk about congestion and factors that
 7 lead to congestion, one of the effects of that and
 8 impacts of that is costs like demurrage. The
 9 National Custom Brokers & Freight Forwarders
 10 Association of America, as you are fully aware who
 11 they are, they have raised that issue in terms of
 12 demurrage. It's something that is a discussion on
 13 the eczema and the West Coast.
 14 Next speaker.
 15 MR. WRIGHT: I'm Joe Wright from Mazda,
 16 North American Operations. Just wanted to make a
 17 quick comment. First, I appreciate this forum,
 18 and I'm glad that all the stakeholders are
 19 together to try and resolve this.
 20 I just wanted to give a shipper's
 21 perspective, and many of my peers in the car
 22 industry or other industries, shippers as well,

Page 164

1 I've seen here. The congestion is causing issues
 2 with us receiving freight. We understand the
 3 chassis problems, the storage cost, and things
 4 that many people have already expressed, but just
 5 to add to that, when we don't receive our freight
 6 -- we have distribution centers across the
 7 country, of which I have to creatively find those
 8 folks that come to work every day things to do
 9 because we have less work for them to do.
 10 Additionally, we're giving much of our freight
 11 that's coming from here from Asia, we're having
 12 air that stuff so we don't lose sales. Very
 13 costly to put anything in the air domestically or
 14 internationally. Just wanted to share that that
 15 we try not to idle our workforce and we keep them
 16 in the fold, but we're getting creative with
 17 things because that work is being held up because
 18 of the many different reasons that we discussed,
 19 and it's adding cost to us. I just wanted to
 20 share that.
 21 CHAIRMAN CORDERO: Joe, thank you so
 22 much for being here, and thank you again for the

Page 165

1 commentary on behalf of Mazda. The perspective of
 2 the shipper is very, very important, and I think
 3 clearly at the end of the day the concern is to
 4 get the product to the market and the whole chain
 5 and movements in terms of what's involved with
 6 that including cost. I appreciate your
 7 perspective on that. Like the railroads, it's an
 8 very important part of the dynamic and the
 9 dialogue that should occur.

10 Next speaker.

11 MR. CAMACHO: Good afternoon. My name
 12 is Pablo Camacho. I'm with the Teamsters union.
 13 You guys are talking about turn times. That's
 14 great, but in no way is that going to help the
 15 driver. When the companies are misclassifying
 16 their employees and paying them by the load, the
 17 company determines how much money they're going to
 18 make whether they do 20 turns a day to 5 turns a
 19 day.

20 You have companies like Toll. Toll is a
 21 company that's legally classifying their
 22 employees. They're paying them an hourly rate,

Page 166

1 which is what it should be, and you've got
 2 companies that are not. How is it a company like
 3 Toll can be profitable when you have other
 4 companies violating the laws and the port is
 5 allowing them to do that? Because they have to
 6 abide by all federal and state laws, which they're
 7 not. The mayor called for cooling-off period for
 8 the recent strike. The cooling off period was
 9 violated.

10 You, sir, were in charge of
 11 investigating it. As of now, the company's
 12 getting more aggressive. They fired 33 workers.
 13 Why? Because they're standing up for their
 14 rights. Yet, they're still allowed to come in and
 15 out of the port. I just don't understand. You
 16 guys have to really look at that.

17 We want good companies like Toll to
 18 survive. They all need to be on the same level
 19 because these companies are not paying 8 to 10
 20 hours a day to these drivers except for Toll.
 21 Toll's doing the right thing. Toll's profitable.
 22 Toll's surviving. Why aren't the other companies?

Page 167

1 Why aren't they doing the right thing? (inaudible)
 2 just got hit with -- they owe \$900,000 to 14 other
 3 drivers. They've got another 30 pending. Where
 4 is this going? You guys need to look into this.

5 CHAIRMAN CORDERO: Thank you very much,
 6 Pablo, for your input. Let me say again, so that
 7 we don't lose perspective of the reasons why we're
 8 here and what the FMC can or cannot do, the FMC
 9 does not investigate labor-related issues. Just
 10 to correct that for the record, that's not what we
 11 do at the FMC. We're concerned about congestion
 12 inefficiency at port authorities.

13 Part of that discussion, as we've heard
 14 this morning, does include the sensitivity with
 15 regard to the ultimate result of a driver, whether
 16 you're an employee or an independent contractor.
 17 Much specific to the discussion has been PierPASS.

18 We have not been lost sight of the fact
 19 that we have driver issues. A large part of that,
 20 whether it's long-haul or short-haul, is the fact
 21 of addressing the issue. But that's not what the
 22 FMC does, and certainly the purpose of this forum

Page 168

1 is not to address that issue in specificity. I
 2 just want to make sure we keep our eye in terms of
 3 what the objective is.

4 Next speaker, please.

5 MS. AGUIRRE: Good afternoon. My name
 6 is Jacqueline Aguirre. I am 46 years old.

7 CHAIRMAN CORDERO: Who are you
 8 representing? Who are you with?

9 MS. AGUIRRE: I'm a driver from TTSI,
 10 and I'm here to let you know what's going on right
 11 now with this company. This company is making a
 12 lot of bad things to everybody. In this case, I
 13 feel very sad today and very angry, and I have a
 14 lot of things in my heart I don't know how to
 15 explain. But the company took the truck on Friday
 16 from the parking, and we made a deal with them.
 17 I'm going to bring the truck on Monday, I told
 18 them, but they took it from Friday. They took out
 19 from the parking. Then 2, 3 hours ago, I went
 20 there, and I said to them, please, can I have my
 21 checks, and I get the keys from the truck? The
 22 owner, Victor Larosa, say, I'm not going to give

Page 169

1 you nothing.

2 CHAIRMAN CORDERO: Jacqueline, let me

3 interrupt, if I may. Let me first of all say,

4 thank you for your concerning issue and your

5 input, but again I just want to make clear, and

6 what I don't want this to turn into an issue of a

7 labor discussion in terms of what you just said.

8 I don't want to get into a discussion talking

9 about any particular company or individuals on the

10 negativity side. Bear with me, it's not that I'm

11 dismissing the importance of the issue that you're

12 presenting, but this is not the forum to do it.

13 You heard this morning that we're here

14 to collaborate within the industry. This port

15 complex is known to exercise their leadership.

16 We're here on the issue of congestion and as it

17 effects the nation. I want to keep our focus on

18 that. Again, I don't mean to be dismissive or

19 rude on this issue, but if we start going

20 off-track, then my job is to keep us focused.

21 Then we're not doing a service in terms of the

22 issue, in terms of why we're here. Having said

Page 170

1 all that, thank you so much for being here.

2 Next speaker, and hopefully we can chime

3 in more with what the subject matter was this

4 morning, and that is how you as a stakeholder see

5 your view and solutions to the issue at hand,

6 which is efficiency, congestion, and improving

7 connectivity. That's what the FMC's concerned

8 about, ensuring that we have an efficient,

9 reliable transportation system whether bottlenecks

10 within the port or outside the port. That's the

11 issue, and that's the focus here.

12 Next speaker, yes.

13 MR. VALENTINA: My name is Hector

14 Valentina from Tom Green. I heard your main

15 concern, and we all have the same concern. Moving

16 to a 24/7 operation, I'm not sure that's going to

17 100 percent fix the problem. Becoming like us, we

18 had to put more people onboard, hire more trucks,

19 more fuel, then it becomes an expense to us.

20 This problem went back starting from

21 June. From June to today, we've been spending

22 almost 300,000 in initial labor costs that we're

Page 171

1 going to never recover. We will never recover the

2 loss. Unless at the end of this meeting decides

3 what are we going to do, tomorrow we'll be back in

4 the same problem, waiting in line, paying more

5 overtime. There's only so many hours a driver can

6 work, and going 24/7 might not fix the problem.

7 As Edward said, there are only working 8

8 hours and a quarter. Where are the other 6 hours

9 going? (inaudible) lunch time they (inaudible)

10 6:00 a.m. to 4:00 a.m. in the morning. It's

11 nonstop. Then there might be additional hours and

12 us drivers -- I don't mean the drivers --

13 (inaudible) and do no work. But I don't think

14 24/7 is going to be the key because I don't know

15 (inaudible) that (inaudible) shortage of drivers.

16 I mean, years ago, (inaudible) hire a driver. He

17 goes to another driver, and he learns how to go

18 into the terminals. Today terminals don't allow

19 that anymore. You have to be educated and know

20 how to get in and out of the terminal.

21 (inaudible) 15 drivers that we've been trying to

22 get for a year. Because the terminal will not let

Page 172

1 us take a driver and be trained. Now, when you

2 talk about mechanics and training.

3 We need to have someone to do these

4 things. (inaudible) to get more drivers trained.

5 We can hire 10 drivers, but they had no experience

6 in a port. (inaudible) going nowhere. (inaudible)

7 extend the day longer. I mean, just had 10:00

8 p.m. or went on lunch at one time, I can

9 (inaudible) I told you, for 3 hours waiting for

10 them to finish their lunch. They can't leave

11 because when they leave the terminal they have to

12 start their cycle all over again. (inaudible)

13 we're not looking at how many hours (inaudible)

14 terminal's operating.

15 CHAIRMAN CORDERO: Thank you for your

16 comments. We appreciate it. Next speaker.

17 MR. SMITH: My name is Burke Smith from

18 Dependable Highway Express. I wanted to react a

19 little bit to the comments from the gentleman from

20 SSA. I apologize; I forget his name. But I think

21 what we see here very often is finger pointing,

22 and we all know that. Terminal operators are

Page 173

<p>1 pointing their fingers at the truckers. Truckers 2 are pointing them back at the terminal operators, 3 the steamship lines, everybody.</p> <p>4 I think if you look back to what 5 happened with the Clean Truck Program, you see the 6 power of a standard and setting a benchmark and 7 putting it in the future and letting folks work 8 towards that in the marketplace. I would suggest 9 that's what we need here. We need someone, 10 whether it's the ports or the federal government, 11 to provide that standard.</p> <p>12 Everybody who comes up here shares one 13 thing: We're all claiming poverty. The 14 companies, the terminal operators, the steamship 15 lines; no one's making money -- maybe only the 16 ports. Nobody has a giant pot of money, but over 17 time, if we all know what the standard is -- and I 18 would suggest that standard needs to be a turn 19 time standard from queue to out gate -- if we 20 could set that standard, perhaps 4 or 5 years down 21 the line.</p> <p>22 Contracts can be adjusted. I hear SSA</p> <p style="text-align: right;">Page 174</p>	<p>1 day. I know a lot of folks around the harbor 2 who've gone out of business, who are going out of 3 business. Something needs to be done. We can't 4 talk and talk and talk. Something needs to be 5 done or freight won't move.</p> <p>6 I get 400 emails a day. Probably 50 of 7 them are folks looking for a trucker to move their 8 freight who can't find one because there aren't 9 enough trucks. There aren't enough truckers 10 willing to do it. They're all too busy.</p> <p>11 Back to the commentary from the 12 terminal's side, one of things the terminals tend 13 to say is everybody shows up all at once. Why 14 have 60 trucks in my fleet? We do have two shifts 15 on our trucks, so they're operating 23 hours a 16 day.</p> <p>17 What would you have me do with my truck 18 between 5:00 p.m. and 9:00 p.m. or 5:00 p.m. and 19 11:00 p.m. when the terminal is too busy to serve 20 those trucks? Am I supposed to have that truck 21 sit? That seems to be the implication from the 22 terminal operators is that you all should have</p> <p style="text-align: right;">Page 176</p>
<p>1 say, we don't know who's going to pay for it. 2 Those contracts aren't set in stone with the 3 steamship lines. If they know that they have to 4 service the freight at a certain level, the 5 contracts can be adjusted over a period of years. 6 The steamship lines should bear some of that cost. 7 Obviously they're going to pass it through to 8 their customers. Perhaps the terminal operators 9 should bear some of that cost. The truckers maybe 10 bear some of that cost.</p> <p>11 All I can tell you for sure is truckers 12 were mandated to buy new trucks, and I don't 13 really know anybody in our industry who's making 14 money. The drivers, the companies, nobody. 15 They're going out of business. They're losing 16 companies every day, every week, every year 17 because we can't survive in this environment.</p> <p>18 The port's still here. Terminal 19 operators are still making money. Steamship lines 20 are doing much better. The truckers are going out 21 of business. Our drivers can't make a living. 22 That's very clear, very real, and it happens every</p> <p style="text-align: right;">Page 175</p>	<p>1 your trucks sit when we're too busy to serve you. 2 We go and spend \$150,000 a truck, we put a body in 3 that truck, we pay someone who needs to work a 4 full shift to make a living, and we're being told, 5 you can't come during these hours because we can't 6 service you.</p> <p>7 Not to blame. There need to be a 8 solution. Everybody needs to be part of the 9 solution, but without a standard, nobody's going 10 to find that solution. We're going to be talking 11 here again a year from now, 5 years from now. 12 We're not going to be working towards that 13 solution unless there's a mandate, and it needs to 14 come from either the ports or the government. 15 That's very clear.</p> <p>16 CHAIRMAN CORDERO: Thank you so much for 17 your perspective, and I think one of the things 18 that you referenced, that we could take by 19 implication, time's ticking. There's no more time 20 to be debating these issues. I can tell you one 21 thing -- I'm sure both of these gentlemen to my 22 right and to my left, given their experience,</p> <p style="text-align: right;">Page 177</p>

1 could absolutely confirm this -- the more you
2 debate and point fingers, other people are getting
3 ahead of you. International communities
4 specifically. That's why I recommended this book,
5 Sea and Civilization, and other books that point
6 to the fact that this is about the globalized
7 world as we know it today.

8 Hopefully we get to the point -- as
9 Congressman Lowenthal referenced, we need to raise
10 the bar. I think with that, all these issues of
11 congestion deal with all the stakeholders. The
12 more we get involved and collaborate, I believe
13 that we're going to get things done in the nation
14 here in the interest of everybody. But it's not
15 utopic. That's the goal. Not the pointing
16 fingers and getting into these debates that aren't
17 going to go anywhere. Thank you very much for
18 your perspective.

19 Next speaker.

20 MR. GOLDSHIED: My name is Emmanuel from
21 Amazon Trucking Distribution. I'm the owner of
22 the company. If I had half an hour I would

Page 178

1 explain what is the problem, what is the
2 consequence, and what is the solution. But I
3 don't have half an hour, so I'll try and briefly
4 explain what is going on.

5 Because of the long line, we cannot
6 return empty containers. I myself, I wrote
7 checks, over \$80,000 per diem, and that's not
8 including the chassis fee. I estimate that out of
9 my pocket, I wrote checks for over \$110,000 or
10 more only for paying the chassis fee.

11 Because there are so many containers
12 outside the port and not enough inside the port,
13 it's affecting the real estate. The load for
14 weight 1 or 2 years ago, you can find parking for
15 -- I'm sorry -- (the square feet. Now it's 18
16 cents.

17 Warehouses 2, 3 years ago, their
18 warehouse's rates was 50 cents per square feet.
19 Right now I give Enofil 75 cents per square foot,
20 and they came back to me 85 cents per square foot.
21 They can see rates around the port right now.
22 It's less than 2 percent basically because the big

Page 179

1 line because we cannot return empties.

2 I don't understand how many countries in
3 the world got automated terminal. In Germany, the
4 terminal is automated. There's no people. You go
5 to the speaker. You punch your container. The
6 time you go under the crane, the container is
7 loaded. You're often in and out. In this regard,
8 we are a third world country.

9 CHAIRMAN CORDERO: Sir, thank you so
10 much for inputting your comments. Next speaker.
11 Joe's back.

12 MR. WRIGHT: Just one comment I wanted
13 to make. We all know if we have a bucket and
14 we're pouring water in it, eventually that
15 bucket's going to fill up, and we're going to need
16 a bigger bucket. I apologize if I offend anyone,
17 but everyone has different points of views.

18 We've talked about widening freeways.
19 We've talked about different things to help us
20 deal with the congestion. I understand volumes
21 increasing, and I'll assume with the two of you
22 gentlemen here you're not telling anyone to take

Page 180

1 their freight to other ports. I'm sure you want
2 to retain the business.

3 I just wanted to make the comment people
4 have had different views of having the ports open
5 24 hours. With the volume and the structure we
6 have and all the folks we have that live in the
7 Los Angeles area, how can we not look at that? I
8 think that's one that we have to consider because
9 we're busting at the seams right now. The only
10 thing that could possibly open up is to open up
11 that window. I'm not the expert. You guys know
12 more about this than I do, but I think the path of
13 least resistance -- I think we have to consider
14 the 24 hour, 7 days a week.

15 CHAIRMAN CORDERO: Thank you again, Joe,
16 for your comments. Yes, the gentleman here in the
17 front.

18 MR. CURRY: Thank you, Chairman. My
19 name is Rick Curry. I'm with Gateways
20 International in Seattle, Washington. We're owned
21 by the Paisa Group who is a steamship vessel
22 operator, port operations, and have offices

Page 181

1 throughout the world. But I'm representing the
 2 International Association of Movers today;
 3 household good business based in Alexandria,
 4 Virginia. We have 2000 members in probably 170
 5 countries throughout the world.
 6 The issue that's been brought to our
 7 attention is that the Port of Los Angeles and Long
 8 Beach, its examinations -- I've been in the
 9 business 42 years -- having inbound examinations
 10 has always been there and not an issue. But we're
 11 having export examinations now, and several of our
 12 members contacted me last week, being on the Board
 13 of Directors of the Association, and they asked me
 14 to bring it up to you that these examinations are
 15 costing up to \$30,000 for each one of these
 16 members.
 17 Obviously that's a concern, and that
 18 cost is that the shipment has to be examined, it
 19 has to be taken out. If it's household goods,
 20 it's professionally packed when it goes into
 21 wooden crates or into a steamship container. When
 22 it's brought out, then it's put back by

Page 182

1 nonprofessional people. Damages occur, delays,
 2 and the cost of all that is not -- the freight
 3 forwarder has to bear that cost. They try to pass
 4 it on to the shipper and they say, why? There's
 5 no reason.
 6 I can understand if it was going to some
 7 third world countries like the Department of State
 8 handles, but several of them have been Costa Rica
 9 and some other areas that certainly aren't a
 10 concern. So, I would like to be involved. I live
 11 locally even though my operation's in Seattle.
 12 I'd be very happy to work with the ports to look
 13 into it. Thank you for your time.
 14 CHAIRMAN CORDERO: Thank you, Rick, for
 15 your comments. Next speaker. Gentleman in the
 16 back.
 17 MR. LAXMANA: Thank you, Mr. Chairman.
 18 Good day. My name is Sri Laxmana. I'm with C.H.
 19 Robinson. We are registered NBOCC.
 20 There's a lot of good comments being
 21 passed on today, so I'm not really going to pile
 22 on that too much. Being an NBO, small to

Page 183

1 mid-sized customers are who we primarily
 2 represent, and the one issue that has been raised,
 3 as my colleague, Sandy, mentioned earlier, is the
 4 issue on demurrage.
 5 I think it's worth saying as well what
 6 if our contracts with the steamship line, if they
 7 are CY to CY that's filed within the contracts, if
 8 a container is not made available for pickup, I
 9 fail to see how that demurrage charges are being
 10 passed on down to us, ultimately down to their
 11 customers. I think that's certainly something
 12 that needs to be addressed, and we are definitely
 13 passing on a lot of these charges, but that seems
 14 to be the main complaint. If a container is not
 15 made available, why are they getting charged?
 16 I know for a fact that if it's a
 17 steamship that (inaudible) a lot of these charges
 18 are not being passed on. That's the main thing I
 19 just wanted to highlight and perhaps something
 20 worth looking at.
 21 CHAIRMAN CORDERO: Thank you. I know
 22 your company is a big player in the industry, so

Page 184

1 what you say really comes from not only valuable
 2 experience, but on-the-ground experience with
 3 regard to the movement of these issues.
 4 I will say that when you talk about
 5 congestion the results are costs like surcharges,
 6 and I think again, ultimately the goal is to find
 7 a way of getting there. Demurrage is not an issue
 8 isolated to the West Coast. It's an issue that is
 9 impacting our gateways.
 10 You may have to subdivide that with two
 11 types of demurrage, so to speak: The customs
 12 hold, which is another issue altogether, and then
 13 demurrage that comes from other factors. Either
 14 way, it's an issue that needs to be addressed as
 15 part of this congestion question and the
 16 ramifications and consequences of bottlenecks.
 17 Next speaker. There's a lot of people
 18 in this room and -- there you go.
 19 MR. WALLACE: My name is Howard Wallace.
 20 I'm with Los Angeles Harbor Grain Terminal. We
 21 started our company here in 1959. I've been
 22 working in the port since 1970. I've been in a

Page 185

1 number of meetings like this. I've been in some
 2 working groups that came out of meetings like
 3 this, and basically afterwards nothing has
 4 happened. There has been no progress, been no
 5 change.

6 My request is that the two executive
 7 directors get together with the Federal Maritime
 8 Commission, come up with some type of working
 9 group that has your sanction that has a mandate,
 10 some juice, and accountability. Put that together
 11 and get us started on the path we need to go.
 12 Thank you.

13 CHAIRMAN CORDERO: To the point. Let me
 14 add to the fact that ultimately -- for example New
 15 York, New Jersey. The issues that we're
 16 discussing now are very much issues that they have
 17 discussed. To Howard's point, they recently put
 18 forward a Port Task Force Performance study
 19 addressing these issues and the
 20 roll-up-our-sleeves approach, now here's what we
 21 need to do. This port has done that largely in
 22 some of the cases that you heard this morning in

Page 186

1 other areas.

2 Now, to put this in perspective, let us
 3 not forget what has been stated this morning:
 4 These ports are seen as the leaders. As you know,
 5 the Journal of Commerce the last couple years kept
 6 track of port productivity and with their studies
 7 have found that the Port of Long Beach is the
 8 number one productive port in the Americas; Port
 9 of Los Angeles, right up there. I want to make
 10 sure we don't lose the perspective here that you
 11 have ports, you have the wherewithal, as you've
 12 mentioned, to get things done.

13 Let us not forget, without being
 14 redundant, the Clean Truck Plan. You remember
 15 back 2003 and '04 and how problematic that was,
 16 and the rest is history. I think in much the same
 17 view and a parallel view, hopefully we get this
 18 group energized enough that I am sure that all our
 19 efforts will bring these issues to light in the
 20 best interest of the nation. Next speaker.

21 MR. BROWER: That's me. Ryan Brower
 22 with Weber Logistics. Let me first say that I'll

Page 187

1 agree with all the cooks in the kitchen it's
 2 amazing that there aren't more grease fires in our
 3 industry. It's a testament to everybody that's
 4 involved. It's a very good operation; I have to
 5 say that. But we're here to address certain
 6 issues, so here goes. I have three for your.

7 One, and I don't know if you could
 8 answer it, but how we can be charged demurrage
 9 when the ports aren't open. I'd like to know how
 10 that's justifiable.

11 Number two, it's the 21st century. On
 12 Friday I had seven containers at SSA Port that
 13 were Maersk containers, and I was told that in
 14 order to get them cleared I'd have to either issue
 15 a wire or a hard check or money order, cashier's
 16 check, but not to the port in Long Beach -- to SSA
 17 in Salt Lake City. I had to actually guarantee
 18 today's demurrage as well because of the one-day
 19 transit in the U.S. Postal. That one blows my
 20 mind away in the 21st century.

21 A little bit more general, what we'd
 22 like to see from the steamship lines. We have to

Page 188

1 stop granting the big box guys 30 days of
 2 detention-free time off-dock. They're holding
 3 onto chassis for weeks and weeks. These guys have
 4 500 to 1,000 containers a week, and they're
 5 holding chassis for multiple weeks. You want to
 6 address a major issue right away? That's one
 7 place to start. Thank you very much.

8 CHAIRMAN CORDERO: Thank you, Ryan, for
 9 your comments. Next speaker. There's a lot of
 10 people in this room.

11 As we move forward, I think you all have
 12 heard a very interesting discussion and
 13 commentary. Being part of the government in my
 14 position, I recognize the commentary by some who
 15 feel that -- are we just talking or is there going
 16 to be any action? I will tell you this: There's
 17 a lot of people like the Congressional
 18 representatives you had this morning in Congress
 19 who do care about this. But in a Congressional
 20 arena, the federal agencies I reference my
 21 discussions with MARAD and the DOT. We have some
 22 of our staff here, key people from the Federal

Page 189

1 Maritime Commission. There are people who
 2 earnestly want to be part of the solution, and
 3 that's why we're here; to hear potential
 4 solutions.

5 More importantly, many of you know that
 6 I do have a port authority background having been
 7 a commissioner for 8 years. I know that you know
 8 how important the port authority needs to be a
 9 part of this discussion. Whether it's the West
 10 Coast, the Gulf, the Southeast, or the Northeast,
 11 which is why we're doing the forums at major
 12 gateways.

13 I just want to put it in the proper
 14 context. As the last gentleman referenced and the
 15 speaker before, let's not lose sight of the fact
 16 that we've done, as an industry, a lot of great
 17 things. I've had the opportunity to go to other
 18 parts of the world to have discussions with regard
 19 to port-related operations. Everybody looks to
 20 this country in terms of a model in many areas and
 21 more particularly in terms of ports. Sustainable
 22 development now is a discussion that -- its

Page 190

1 policies very much relates to this about what we
 2 can do.

3 I'm just trying to put out a sense of
 4 optimism here that I really, passionately believe
 5 that this can be done. The FMC is not going to do
 6 it alone. You are a major part of it, but it's a
 7 Federal Maritime Commission -- emphasis on the
 8 word maritime -- we would be remiss not to go out
 9 and have this dialogue.

10 I am confident that we have two
 11 executive directors who are here. As I referenced
 12 before, they have set aside the whole day to
 13 address this issue. I say that only because,
 14 believe me, I think everybody, including the
 15 people who took the time to testify this morning,
 16 these panels, are very serious about addressing
 17 this issue.

18 I'm going to give the opportunity to
 19 whoever else wants to make comments. I know that
 20 the nature of some of these public forums people
 21 are rather hesitant. Frankly, as I mentioned, the
 22 railroads and the shipping industry, I know what

Page 191

1 their opinion is on this. I've received emails
 2 from entities who wish that they could be here and
 3 are very supportive of what we need to address. I
 4 know what their views are.

5 The fact that I'm here in front of this
 6 podium should not represent that anybody in this
 7 industry is dismissive of what we're talking
 8 about. But it gives you the opportunity, the
 9 public, to chime in and put pressure either on the
 10 FMC, on our Congressional representatives, on our
 11 port authorities, and our stakeholders overall to
 12 really realize how important this issue is. From
 13 my perspective, it's a prime issue that I believe
 14 there's a significant national interest to address
 15 on behalf of international ocean transportation
 16 system.

17 Any other people who wish to address the
 18 topic? Yes. Technology, right? Very apropos.
 19 Thank you for taking the time and coming up. I
 20 hope I motivate you to come up.

21 MR. NORONHA: Good afternoon. My name
 22 is Val Noronha with the Digital Geographic in

Page 192

1 Santa Barbara. I have a very nice job. I have
 2 GPS on a couple hundred trucks in L.A., and I play
 3 video games all day. I see them moving on my
 4 screen, I see the congestion points, and I see the
 5 times. From time to time I get inspired to write
 6 about it, and I wrote about it recently, and,
 7 Chairman, I have sent an email to the Secretary of
 8 the FMC. I'm sure you'll get that with a link to
 9 my article, and it was covered in the Journal of
 10 Commerce a couple of weeks ago as well.

11 The reason I'm here is I'm enjoying the
 12 opportunity to speak to both of the executive
 13 directors of the ports as well as you, Mr.
 14 Chairman. Many speakers today have expressed the
 15 joy that we are here talking together with all the
 16 stakeholders in the room, and there have been
 17 relatively few occasions, but many enough in the
 18 past. Occasions on which this has occurred in the
 19 past, and one of those was the Turn Time
 20 Stakeholders Group that was constituted about 4
 21 years ago consisting of both ports, the LMCs, the
 22 MTOs, and the BCOs. They were all together.

Page 193

1 They made a tremendous amount of
 2 progress. They came to agreement around the
 3 report that I wrote -- little plug -- but they
 4 came together. They saw the commonality in this.
 5 They saw the signs, and they said, all right, this
 6 makes sense. Let's go to the next step.

7 For various political reasons, that
 8 effort got torpedoed. It never recovered from
 9 that torpedo hit, and Chris Lytle, Sean
 10 Strawbridge got together and tried to make
 11 something happen maybe 2 years ago. Again, the
 12 ports did not come together to make that happen
 13 again because of the big torpedo that hit.

14 I think we have learned from that
 15 experience, and I think we can -- we must
 16 reconstitute that group. I'm with Howard on this.
 17 Howard had just suggested that there needs to be a
 18 dual port for community organization of some sort.
 19 I'm not sure what you call it, a stakeholders
 20 group, that can see the ports working together on
 21 common issues.

22 There are numerous issues to be

Page 194

1 addressed: Turn time, understanding and what to
 2 do about it; the technology, integrating the
 3 technology, making sure that the technology has a
 4 strategic plan, and that we don't have one
 5 terminal doing this, another terminal doing that,
 6 all with very good intentions, but on their own
 7 corporate silos without any integration so that
 8 the truckers are following different rules
 9 depending on which terminal they're calling at.

10 I could go on for a long time. I'm
 11 going to keep this short. We need a good, strong
 12 leader. We need a czar. Jim and I would have
 13 recommended you except that you have a day job,
 14 but there are men like Gill Hicks, the father of
 15 the Alameda Corridor, people who have had great
 16 success, people who are respected in this
 17 community, who, I think could lead us again. Gill
 18 also has a day job with Cambridge Systematics now.

19 I think that's about it. That's all I
 20 want to say for now. I completely agree with
 21 Howard and I want to second that there needs to be
 22 a coming together, a place of authority with a

Page 195

1 strong leader and a set of ground rules. I think
 2 a lot could be accomplished that way, and I think
 3 that would be a model for other ports in the
 4 country as well. Thank you.

5 CHAIRMAN CORDERO: Thank you so much,
 6 Val, for your comments. Now, we have allocated to
 7 be here until 4 o'clock. It is now 3:15. Unless
 8 there's any other people who desire to come to the
 9 podium as I see that we may have concluded now the
 10 commentary, unless I see anybody raise their hand.

11 I'm going to move forward to my closing
 12 comments, but before I do that -- I know this is
 13 not part of the script and the agenda, but I will
 14 say I'm going to allow both Gene and Jon to just
 15 make some closing comments because, again, despite
 16 what the challenges are, despite what the
 17 obstacles are -- I'm preaching to the choir. You
 18 know the history of this port complex and what
 19 they've been able to achieve going back to the
 20 early 20th century. There's nothing that cannot
 21 be accomplished if the political will of the
 22 stakeholders could collaborate and come together

Page 196

1 and move in that direction.

2 Simply said, all I could tell you from
 3 this position would be in Washington, others are.
 4 That's something you need to really think about,
 5 but I'm sure you are aware that I'm addressing
 6 this issue about, well, we're going to be debating
 7 this forever and ever here.

8 With that, let me give, again, much
 9 appreciation and thanks to Gene Saroka for being
 10 not only visionary in terms of what he thinks we
 11 could do about this, but also hosting this at his
 12 port, and then give it to Jon for a couple
 13 comments to give him the ability of these
 14 executive directors to give some closing
 15 commentary in terms of what's been heard today.
 16 With that, Gene?

17 MR. SAROKA: Chairman, thank you, and
 18 thank for the organizing not only by yourself but
 19 by your staff to make sure that as we put the
 20 program together today it was also uniquely
 21 visible that staff followed up with everyone who
 22 stepped up to the podium for further content,

Page 197

1 follow up, and dialogue. I know that folks here
 2 and those observing greatly appreciate that.
 3 Thank you.

4 CHAIRMAN CORDERO: Thank you so much,
 5 Gene. Again, just for those of you who were not
 6 here this morning, the staff being Mary Hoang, the
 7 Chief of Staff of the FMC, Tyler Wood, Deputy City
 8 Counsel, Rebecca Fenneman, who is a director of
 9 CATERERS, and Roy Pearson, one of our economists in
 10 the Bureau of Trade.

11 I could tell you without a doubt or
 12 hesitation those individuals have put a lot of
 13 time and years into this maritime discussion. As
 14 Chairman, the success of the FMC has been
 15 dependent on people like these individuals who
 16 come here and they do the work. These aren't
 17 government employees who are just skating, and I'm
 18 being facetious because of time's perceptions of
 19 government. I will tell you without any
 20 hesitation that nothing happens unless the staff
 21 does it and puts in the work. You could say the
 22 same about these two great ports. With that

Page 198

1 little editorial now, let me give it to Jon.

2 MR. SLANGERUP: Thank you, Mr. Chairman.
 3 Thank you to everyone here for your candid
 4 feedback. That's what I was hoping for; there was
 5 an abundance of that. I've taken a lot of notes.
 6 I don't know if you've noticed, but I have pages
 7 of notes. We do intend to follow up.

8 I mentioned in the beginning that the
 9 ports collaborate very, very well. There's a
 10 history of that collaboration. There's a history
 11 of results. That only gets enhanced when you've
 12 got two new guys with a mission to take our
 13 organizations to the next level. Gene and I have
 14 had very, very meaningful discussions about this,
 15 and we do intend to find solutions to these
 16 complex issues.

17 But when you really look at it, it may
 18 be complex, but it really boils down to a core
 19 issue, and the core issue is getting things moving
 20 through the ports. We are doing, and we will
 21 continue to do, everything we can to make that
 22 happen. You've got our commitment. I certainly

Page 199

1 think that Gene would agree with that. We are
 2 absolutely committed, and we have the resources
 3 and the ability to facilitate outcomes.

4 There's no excuses for either port to
 5 view themselves as merely a landlord port.
 6 Because we are a landlord because we do have
 7 partners that we work very closely with, we are in
 8 an excellent position to help facilitate positive
 9 outcomes, and we will not rest until this is
 10 solved. Thank you.

11 CHAIRMAN CORDERO: Thank you, Jon.
 12 Again, as I mentioned, we're having four different
 13 forums throughout the nation, this being the first
 14 one. For those of you who want to keep track of
 15 what's being said or what will be said at these
 16 other forums by people like yourselves in other
 17 regions, keep track of our website.

18 There's going to be one in Baltimore on
 19 October 1st, Charleston, and New Orleans. That
 20 way, if some of you are, I'm sure realize but see
 21 what's being discussed in other parts of the
 22 country. This is not unique to this region, and

Page 200

1 there are people rolling up their sleeves and our
 2 important gateways to make sure that this nation
 3 remains competitive at all levels.

4 With that, I'll read my closing remarks,
 5 and we'll conclude this meeting. Thank you again.
 6 I will now close the Federal Maritimes Public
 7 Forum. Thanks to all for your participation today
 8 and for your written comments submitted prior to
 9 the meeting.

10 Contributions for maritime intermodal
 11 transportation stakeholders are important to this
 12 commission and to our legislators as we
 13 contemplate how to improve the efficiency of
 14 international ocean commerce. The Commission
 15 welcomes further feedback in the form of written
 16 submissions to the office of the Secretary.
 17 Additionally, please note that the Commission will
 18 hold, as I've stated, similar public forums this
 19 fall to discuss the ever-important issue of port
 20 congestion both on the East and the West as we did
 21 today and the Gulf Coast.

22 Thank you so much, and I look forward to

Page 201

1	working with you as we move forward in the	
2	interest of common interests to further the	
3	maritime needs of this country. Thank you again.	
4	(Whereupon, at 3:19 p.m., the	
5	PROCEEDINGS were adjourned.)	
6	* * * * *	
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22	Page 202	

1	CERTIFICATE OF NOTARY PUBLIC	
2	DISTRICT OF COLUMBIA	
3	I, Carleton J. Anderson, III, notary	
4	public in and for the District of Columbia, do	
5	hereby certify that the forgoing PROCEEDING was	
6	duly recorded and thereafter reduced to print under	
7	my direction; that the witnesses were sworn to tell	
8	the truth under penalty of perjury; that said	
9	transcript is a true record of the testimony given	
10	by witnesses; that I am neither counsel for,	
11	related to, nor employed by any of the parties to	
12	the action in which this proceeding was called;	
13	and, furthermore, that I am not a relative or	
14	employee of any attorney or counsel employed by the	
15	parties hereto, nor financially or otherwise	
16	interested in the outcome of this action.	
17		
18		
19	(Signature and Seal on File)	
20	-----	
21	Notary Public, in and for the District of Columbia	
22	My Commission Expires: March 31, 2017	
	Page 203	