Port of Los Angeles / Long Beach

GOODS MOVEMENT 2014

“Count on Us”
A Busy Day at Anchor in LB/LA Port

June to December 2004

“Count on Us”
A Busy Day at Terminals in LB/LA Port

“Count on Us”
Port Terminal Congestion Day to Night

“Count on Us”
Cost of Delays

COSTS OF DELAYS

Tioga Group estimates that in 2012, unnecessary delays for trucks at port terminals wasted a total of

15,000,000 HOURS

and

348,000,000 U.S. DOLLARS

See below for a breakdown of individual category costs.

<table>
<thead>
<tr>
<th>CHASSIS PROBLEMS</th>
<th>TERMINAL TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>costs of waiting for roadworthy chassis</td>
<td>extrapolation of difference between 30 minutes and the average wait time of 40 minutes at 3 ports</td>
</tr>
<tr>
<td>( \Delta = 1 \text{ million hours} )</td>
<td>( \Delta = 10 \text{ million} )</td>
</tr>
<tr>
<td>7 million hours</td>
<td>4 million hours</td>
</tr>
<tr>
<td>$156 million</td>
<td>$90 million</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>QUEUE TIME</th>
<th>TROUBLE TICKETS</th>
</tr>
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<tbody>
<tr>
<td>extrapolation of difference between 10 minutes and the average wait time of 20 minutes at 3 port</td>
<td>costs of trouble tickets, now given to 5% of drivers</td>
</tr>
<tr>
<td>( \Delta = 1 \text{ million hours} )</td>
<td>( \Delta = 3 \text{ million hours} )</td>
</tr>
<tr>
<td>3 million hours</td>
<td>1 million hours</td>
</tr>
<tr>
<td>$79 million</td>
<td>$23 million</td>
</tr>
</tbody>
</table>

Source: Tioga Group
Design: Diana Oviedo, JOC Group Inc.

"Count on Us"
World Port Terminal Issues

Rotterdam * Ningbo, China * Vancouver, BC * Prince Rupert

Los Angeles/Long Beach * New York/New Jersey * Houston

Seattle/Tacoma * Oakland * Norfolk * Many others

“Count on Us”
Goal of All Stakeholders

Conflicting
!
Lack of Collaboration
!
All in their own SILO
?

“Count on Us”
International Supply Chain Stakeholders

- Ports of Los Angeles and Long Beach
- Beneficial Cargo Owners (BCO’s)
- International Ocean Carriers
- Port Marine Terminal Operators
- U.S. Customs & Border Patrol
- Customs House Brokers/International Freight Forwarders
- International Longshoreman & Warehouse Union (ILWU)
- Pacific Maritime Association (PMA)
- Port Drayage Firms
- Port Drayage Drivers
- Beneficial Cargo Owners (BCO’s)
History of International Containerization

- Started 1970 ports of Los Angeles/Long Beach
- Forty-four years in 2014
- Same issues and more today

“Count on Us”
Port Drayage Firm Business Model Evolution

- Teamster Union firms 1970
- Non-union carriers enter 1973
- Combination union/non union 1973 to 1985
- Cal Cartage the last of union dray firms in 1985
- Current model 100% non union owner operators
- 2015 and beyond???????????????
**How the Current Business Model Works**

- Licensed motor carriers contract owner operator drivers
  - Drivers own/lease tractor
  - Driver provides insurance
  - Driver provides fuel & maintenance
  - Owner drives the truck
  - Drivers are paid flat percentage of the move revenue
  - Driver is paid fuel surcharge

- Can this business model sustain itself
  - Most likely NOT!
  - What are the options?
    - Return to employee drivers
    - Current drayage firms do not want employee drivers – unionization

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Owner operator contractor today

Greatest percentage of drivers want to remain contractors

Teamster Union, State Government and Federal Government want employee drivers

The future is uncertain

Drivers are leaving the port drayage industry and no new drivers are taking their place. In 2008, 15,000 drivers and today only 9,000 drivers.
Port Issues Today – Los Angeles / Long Beach

- Ocean carrier business model change
  - Divestiture of chassis ownership
  - Larger container ships
  - Formation of large Alliance for vessel sharing

- Lack of Port Terminal space
  - Impact of Air Quality Management District (AQMD)
  - Impact of Environmental Protection Agency (EPA)
    - Above created Pier Pass and Clean Truck Programs

- Third party chassis leasing companies

- Lack of port labor force - ILWU
What Action Needs to be Taken Now?

- Stakeholders must start collaborating and get out of their silos
- Port Authorities have to take leadership role of facilitating change
- Most important need is a single grey chassis fleet covering every marine terminal.
- ILWU needs to add more regular class A & B longshoreman.
- More drayage drivers and better pay
- Pier Pass must be changed or eliminated
- Port has to stay open 24/7
IT HAS TO START TODAY!

- ALL stakeholders have to learn to make the International Supply Chain a cooperative partnership
- Shareholders need to create value for each other
- The key to the New Tomorrow is constant improvement and communication

“Count on Us”
THANK YOU!