



Proceedings of the 2013 CSULB CITT Town Hall Meeting

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Executive Summary

The 2013 Town Hall discussed how the competitiveness and efficiency of the San Pedro Bay Ports and businesses close to the regional supply chain are going to impact the region's economy, affect the community and provide job opportunities. The meeting was a collaborative effort among major stakeholders, and there was general consensus of all stakeholders willing to collaborate towards a common goal when it came to the notion of competitiveness. Although there were concerns about the potential loss of competitiveness and job security related to the loss of business and automation, industry leaders were optimistic about the future. Overall, stakeholders across the supply chain placed a collective emphasis on the importance of education and training, inter-organizational communications/collaborations, adoption of new practices such as automation and predictive analytics, and preservation of the environment.

Summary of Introductory Comments

Call to Order: Marianne Venieris, CSULB/CITT

Marianne Venieris, Executive Director of the Center for International Trade and Transportation (CITT) at California State University, Long Beach (CSULB) and Deputy Director of the METRANS Transportation Center, welcomed all participants and attendees to the forum. She expressed gratitude for those attending. She gave a brief account of the origin and history of these Town Hall meetings and stated that the goal of these events has been to "provide a forum in which to explore key issues and challenges in the goods movement industry." She proceeded to go over some important themes covered in previous years and mentioned that, instead of using the Point/Counterpoint from the last two years, the 2013 meeting would return to the Town Hall format to discuss the critical issues of efficiency and jobs. Ms. Venieris emphasized that the topic's selection relied on the feedback of the audience. Through feedback and evaluation from last year's meeting, the CITT Policy and Steering Committee spent a significant amount of time at their monthly meetings discussing and selecting this year's topic.

Ms. Venieris then introduced the Provost and Senior Vice President of Academic Affairs at CSULB, Dr. Donald Para, who was invited as an honored guest to the event. On behalf of the President, faculty, staff and students at CSULB, Dr. Para welcomed the attendees once again to the event. Dr. Para then emphasized the importance of the Ports of Los Angeles/Long Beach (LA/LB) to the nation, state, region and economy. Dr. Para also reiterated these Town Hall and Point/Counterpoint events over the past 15 years have been recognized and anticipated events where active stakeholders come together in the spirit of education. Dr. Para recognized the

efforts of the METRANS Center, a research collaboration between CSULB and the University of Southern California (USC), thanked the sponsors for making this event a reality, and finally thanked the panelists for sharing their expertise and thoughts towards the topic.

Ms. Venieris returned to the podium and continued with the topic of seaports and the importance of their competitiveness. She provided key statistics, such as the fact that port-related activities supported employment of 13 million people, to augment her arguments on why the Ports of LA/LB have to stay competitive and ended with a rhetorical question, “it’s all about jobs, isn’t it?” She then proceeded to go over the agenda of the meeting: to examine what makes a port and regional transportation system competitive; how efficiency across supply chain impacts the region’s economy, affects communities; and provides job opportunities; and finally how local decisions affect national and global competitiveness. She mentioned that the event was structured in a way that questions from the audience would be allowed during the panelist session.

Ms. Venieris recognized the CITT Policy and Steering Committee for their commitment and dedication to the 2013 Town Hall. She also recognized the students, elected officials and dignitaries in attendance. She noted that the event was being webcasted, and that the video would be available on the CITT website. She encouraged attendees to provide feedback on the evaluation forms as well. She then introduced Dr. Genevieve Giuliano, Director of METRANS and Senior Associate Dean of Research and Technology at the Sol Price School of Public Policy at USC.

Dr. Giuliano welcomed the audience on behalf of the staff and students of the METRANS Center. She moved on to talk about how famous the Town Hall meetings were in the industry. She thanked the event’s sponsors and METRANS Associates. Dr. Giuliano explained why the subject of Port Efficiency and Competitiveness was a very relevant topic. She stated that the essence of the meeting was for each industry stakeholder to discuss how one could improve overall efficiency and competitiveness, but she also challenged the audience members to think about what they could do to further the goal. Dr. Giuliano then ended her speech by introducing the video documentary, which addressed the complexity of the supply chain and included commentary from various leaders on how the Ports of LA/LB can stay competitive and efficient.

Video Presentation – Summary of key lessons

The video begins with the premise that the goods movement industry in Southern California is an engine of prosperity for the entire region as it provides a steady flow of economic activity and high-paying jobs. The success of the regional goods movement industry has been especially impressive considering the high volume of traffic-related activities and stringent environmental policies. However, because of competition from neighboring Canada, the Suez Canal and Panama Canal, it is imperative for the San Pedro Bay Ports (Ports of LA/LB) to reemphasize speed and efficiency in all operations.

The video makes a distinction between local and discretionary cargo, which accounts for 34% and 66% of all incoming cargo respectively. Local cargo is delivered via trucks within a 500-mile radius while discretionary cargo is delivered via intermodal transportation, i.e., via rail and/or truck to destinations east of the Rocky Mountains. The video stresses the importance of transloading in the handling of discretionary cargo. In a transloading facility, goods from

different containers are mixed and combined together in larger containers. This practice is projected to grow in the future. The narrator explains that a new cargo-delivery pattern has been identified in recent years as local and discretionary cargo is not as distinctive as before. As a result, it is now more probable for cargo to be lured to alternative ports.

The video emphasizes the fact that each stakeholder in the existing goods movement system has a different idea for efficiency, and thus the intricate relationships between separate entities in the process can be very complex. Since businesses follow different business models with various objectives, each strategy is likely to produce a ripple effect on the rest of the intricate supply chain. The narrator proceeds to identify the major stakeholder groups in the system: 1) the beneficial cargo owners (BCO) or shippers and their logistics providers, including freight forwarders and customs brokers, 2) ocean carriers, 3) marine terminal operators, 4) trucking industry, 5) ILWU or longshore workers and 6) local population living near harbor operations.

Along with the identification of the major stakeholder groups, the video also focuses on some of the problems they face. Since some BCOs have high-value goods that enjoy a shorter shelf-life, they have to make sure that their marine terminal operators make it their priority to unload these higher-value containers first. These moves create additional and randomized movements since the terminal operators may have to move the lower-value containers out of the way to get to them. For ocean carriers, there is fierce competition to attract the BCOs. Since contracts are renewed every year, there is intense pressure to cut expenses. However, cutting costs may add time to final delivery, which creates ripple effects on the rest of the supply chain. For the trucking industry, the heavy imbalance between imports and exports has been a big concern. Since empty container trips don't generate revenue, local owner-operators struggle because they need steady work to sustain themselves. Also, truckers are concerned with the availability of chassis, maintenance, turn times and policies such as PierPASS.

In conclusion, the narrator states that stakeholders have to review every aspect of operations in order to achieve the goal of operating with the lowest cost and most efficient throughput. When it comes to evaluating overall efficiency of the supply chain, it is important to evaluate at different scales, and tools such as the Total Cost of Ownership (TCO) are useful. Also, it is important to recognize that there will be both winners and losers on the way to optimal efficiency. This is why it is extremely important for all stakeholders to collaborate and find common ground so that the goods movement industry as a whole can stay ahead of its competitors.

The Town Hall video is available at <http://www.amp.csulb.edu/UCES/CITT/>.

Panel Discussions

After the video presentation, Dr. Thomas O'Brien, Director of Research at CITT, CSULB, thanked Dave Kelly and his team at CCPE's Advance Media Production unit for the tremendous job they did on the video. As the moderator for the panel discussion, Dr O'Brien then informed the audience that questions were accepted through the use of the microphones and also with three by five cards. After introducing the panelists (Jeff Coppersmith, President of Coppersmith Global Logistics; Michael Podue, President of ILWU Local 63; Alan McCorkle, Senior Vice President of APM Terminals; Vic La Rosa, CEO of Total Transportation Services; and Roger Rowe from the West Long Beach Association), Dr. O'Brien asked the first question to the

panelists: how do you begin by improving your own practices, and making your own segment more efficient?

Mr. McCorkle stated that the trucking community and the processing of trucks through the terminal is the top priority. The ability to move the cargos once it comes off the ships is very important, and the antiquated system has to be improved. Also, the operations have to be more consistent, and this responsibility falls on the shoulders of the management of terminals and ILWU. The marine terminals have to train the workforce.

Mr. Podue stated that the ILWU had to focus on training in the face of automation. In order to go along with the changes, the membership of ILWU has to adapt and embrace the new technologies.

Mr. La Rosa highlighted the three areas that the trucking industry has to focus on. First, the trucking community has to be part of the solution to the waiting time problem at the gate. Second, safety and safety training have to remain a big focus. Third, the community has to keep their equipment up to date and take care of the environment through, for instance, compliance with the Clean Truck Program

Mr. Coppersmith responded to the question from the perspective of brokers and beneficial cargo owners. He emphasized the brokers' roles in supply chain since 98% of the cargos are cleared through customs by brokers. He stated that it is important for the brokers to get the data through an automatic system from the customers for everything else to flow efficiently. Currently customs are put through a program called the ISF (Import Security Filing), and information is transmitted to U.S. Customs prior to containers being loaded on a vessel. Representing a brokerage agency, Mr. Coppersmith wanted to go one step farther and be able to get electronic information (e.g. invoice and packing list) sooner from the customers in the U.S. and their suppliers overseas. He stressed that if all the necessary information is available to all the different agencies five days in advance, the truckers will not have to deal with waiting times and delays.

Mr. Rowe stated that the community takes a big role and their big concern is the well-being of their families. They are also concerned with job security, health and welfare of community members. Therefore, communication among all stakeholders with community members is extremely important. The community can facilitate this communication by learning who the major stakeholders are and what the organizations are. Through the efforts of the ports, elected officials and grass root groups, it is possible for all parties to work together towards staying competitive and green.

Question & Answer Session with the Audience

After the first question, Dr. O'Brien opened the floor to the audience, and audience members were welcomed to ask their questions verbally through a microphone or indirectly via a note card. Almost all questions stayed closely related to the theme of the Town Hall meeting. The questions centered on the efficient practices of the Ports' overall operations, competitiveness of the Ports relative to the east coast and Central American ports and long-run job market outlook in relation to regional competitiveness, efficiency and also automation. The audience members were very active during the Q&A session, and the types of people who got behind the microphones included government workers, community activists, truck drivers, longshore

workers, customs brokers, sales people from ocean carriers, academics and managers at different levels.

How would people address the loss of efficiency that the ports will suffer resulting from delays and review of processes?

Mr. McCorkle stated that there will be pros and cons on every project. It will be in everyone's best interest to complete the project as long as the local stakeholders are brought into it and their needs are addressed.

When you are looking to improve efficiency, where do you look for the best practices?

Mr. McCorkle stated the first place his company would look at is other terminals in their network. They also look at other industries and do a comparison with businesses that have similar working environments. He recognized that some Asian and European countries are more advanced in some aspects, and his company tries to take the components that may work in the United States.

Mr. La Rosa said that the trucking community worked with the Ports of LA/LB to solve the chassis issue. He also studies his competitors, especially when it comes to the performance and efficiency of vehicles.

How do the Ports of LA/LB plan to get their business back in the face of fierce competition (from expansion of east coast ports and Panama Canal, etc.) ahead?

Mr. Podue believed that the infrastructure of the Ports of LA/LB is superior to other ports in the nation. New technologies that will be implemented may help with priority cargo, but his general consensus was that he wasn't certain about how to draw the business back.

Mr. McCorkle recognized that the loss of cargo reduced efficiency in the long-run. He believed that consistency, reliability and cost-efficiency are keys to bringing the business back to the region.

Mr. Coppersmith also agreed that cost and efficiency were keys. In terms of cost, medium and small businesses are concerned with fees associated with chassis usage and PierPASS. In terms of efficiency, there are many variables to consider when containers pass through the Ports of LA/LB. He stated that customers would always look for the most efficient and cost-effective destination.

Mr. La Rosa stated that we should not panic because of the emergence of the Panama Canal and east coast ports. He pointed out that megaships can only be handled in deep water ports. Southern California is going to be a natural base for these containers to go back to. However, the Ports of LA/LB have to be very efficient once they get the containers off the ship.

How prepared are we to discharge these megaships at our terminals?

Mr. McCorkle stated that we have to have great vessel productivity to handles these ships. He emphasized that Southern California has the infrastructure necessary to do this. Improvements still have to be made though. For instance, he stated that we can increase the number of cranes and improve the efficiency of container movements.

Will automation come at the cost of jobs? Or will automation provide job opportunities for the community?

Mr. Rowe stated that the community is in favor of job growth and the growth of the ports. He believed that there will be an increase of skilled jobs resulting from automation. Education and learning new job skills are part of the evolutionary process that we all have to go through.

Mr. Podue stated that although there are concerns with the loss of jobs, the important thing is for the industries and employers to make sure there are jobs in the region. He stressed that it is not something that will happen overnight, but something that the stakeholders have to be aware of.

How would you describe the state of employment and efficiency in the trucking industry?

Mr. La Rosa recognized that there is a driver shortage in the United States and that there are many containers waiting to be moved. He argued that education and training programs are necessary to inform and entice people to join the industry.

In terms of the role of 3PLs in securing cargo and jobs, do you see oversea 3PLs establishing in America as a threat to 3PL industry as a whole?

Mr. Coppersmith stated that he doesn't see these foreign competitors as a big threat. He recognized that these foreign 3PLs are good at moving and forwarding the containers, but they lack the expertise in customs and other technical aspects.

How do you make sure that safety and security is not sacrificed as we move towards more efficient operations?

Mr. McCorkle stated that port security had improved significantly in the post 9/11 world. He believed that safety has to remain a priority because people are still being hurt and killed on the job. The issue of security has to be addressed while maintaining the flow of movements.

Mr. Podue stated that the ILWU's concern is that cutback on CBP (Customs and Border Protection) officers has an effect on operations, and this can be solved with the help of elected officials.

Mr. Coppersmith stated that by enrolling in the C-TPAT (Customs-Trade Partnership Against Terrorism) program, a shipper can ensure the security of its supply chain while reducing the probabilities of being delayed by customs officers.

Is there a possibility of a paradigm shift in Southern California by which, instead of the customer determining when a container gets picked up, that determination is made by the terminal or shipping line to avoid false moves and increase productivity?

Mr. Coppersmith stated that the earlier we transmit the necessary information, the earlier the container is ready to go. However, the process of sorting through all the containers to get to a specific one is the terminal operator's responsibility.

Mr. McCorkle believed there will be a paradigm shift to increase productivity in the future. The terminal operators have to do something differently to address these inefficiencies. The procedure for delivering cargos has not been changed in twenty years, and changes have to happen now.

Mr. La Rosa believed that there should be a middle ground. He also stated that predictive analytics as a tool is going to be used to sort through the available data and address the problem.

How do you make the stakeholders come together and communicate as a supply chain?

Mr. Rowe stated that there should be a central focus where everyone can talk together and reach agreement.

Dr. O'Brien responded by saying that as a representative of the education community, schools and universities also have a responsibility to provide a forum for the communication to happen.

How would the panelists address the bureaucracy, increase of customs delays and turn times at the Ports of LA/LB?

Mr. McCorkle stated that customs officers show up unexpectedly for random inspections. Although the terminal operators talk to the customs officers every day about maintaining commerce while allowing the customs officers to do their jobs, there isn't a perfect solution yet.

Mr. Coppersmith stated that proper documenting can be done by the shippers or logistics providers to avoid inspections and delays.

From the community's perspective, what are some of the biggest changes (positive and negative) in recent years?

Mr. Rowe stated that the positive thing is that the port has worked with the community in achieving a more environmentally friendly environment through investments, research and development, planning and implementation of truck and rail technologies. The negative side is that changes will take a long time, and people are still going to suffer.

How can we move the process forward and achieve the goals (e.g. keeping the community green, improving efficiency) mentioned in tonight's meeting?

Mr. McCorkle stated that we have to keep the trucks moving. Also, we have to communicate with the ILWU.

Mr. La Rosa stated that we have the right technology to take the trucks to zero emissions. It is going to take some effort to convince the trucking community to adopt these changes, but it can be done.

As opposed to using part-time non-unionized longshore workers (the casuals), do you support using a highly skilled workforce to take these jobs?

Mr. McCorkle stated that the marine operators on the west coast are concerned with the fact that the longshore workers do not work for a specific terminal operator. Also, he stressed that the terminal operators have to provide better training for their workers.

Mr. Podue believed that a trained workforce is a great workforce. It is imperative for the employers to know that the use of part-time workers who only work once in awhile is going to reduce efficiency. A full-time workforce is a better workforce.

Are there actions or plans for the upcoming summer's needs for electricity versus the needs for shore-side green power?

Mr. La Rosa responded by saying that we should not have an issue with the power supply this year.

Closing Remarks

Dr. Giuliano thanked the panelists for their participation and insight. She stated that the theme she took away from the meeting was information technology and automation. She recognized the pros and cons during the discussions on the competitive position of the ports. There are four big advantages that the San Pedro Bay Ports enjoy: 1) it is a deepwater port that doesn't need dredging all the time; 2) it has land-side infrastructure of many different types; 3) it has a willingness to experiment on automation technologies; and 4) it has an amazing amount of collaboration across its supply chain. On the negative side, she acknowledged that cost, in terms of time and money, is a sizable concern. There still exist reliability issues, which are critical in business operations. On top of that, there is also fragmentation and lack of communication observed in certain parts of the industry, which means collaboration still needs work. Dr. Giuliano observed some encouraging signs that were good for the industry: the discussion on education and training were positive; the mention of predictive analytics was a good sign that stakeholders are ready to go forward; the logistics problem of moving cargos efficiency is really a massive optimization problem that can be solved ultimately; and finally the fact that progress is being made in improving the environment. Dr. Giuliano closed her summary by stating that information transparency is helpful in streamlining port operations and the topic for the next Town Hall should be automation

Ms. Venieris thanked Dr. Giuliano for a job well done. She was pleased to hear the need for training, and she thought that CSULB and CITT could help the industry with that. She mentioned that the proceedings of the event and the video would be available online. She kindly encouraged the audience to turn in their evaluation forms and thanked the sponsors and attendees once more.