MEMO

DATE: February 3, 2005

TO: Transportation and Communications Committee

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SUBJECT: Port and Modal Elasticity Study

SUMMARY:
The purpose of the Port and Modal Elasticity Study is to determine the probability of diversion occurring between the Ports of Los Angeles and Long Beach and other U.S. (including west, east, and gulf coast) and Canadian ports, as well as between modes of transportation (truck and rail), should user fees be assessed to goods imported via the Ports of Los Angeles and Long Beach.

BACKGROUND:
Currently, insufficient public funds are available to pay for needed infrastructure improvements that would be beneficial to goods movement, such as rail track capacity and grade separations and highway capacity enhancements. Because of this, SCAG is researching alternative means of funding such investments, one of which is the application of user fees to goods imported via the Ports of Los Angeles and Long Beach.

The Port and Modal Elasticity Study will determine the probability of diversion occurring between the Ports of Los Angeles and Long Beach and other U.S. (including west, east, and gulf coast) and Canadian ports, as well as between modes of transportation (truck and rail), should user fees be assessed to goods imported via the Ports of Los Angeles and Long Beach. Should the study conclude that user fees could be assessed, the study will determine at what point in the logistics chain fees could be collected, as well as a plausible level of such fees. To accomplish this goal, the study will examine factors such as transportation costs, such as ocean, port handling, and land transportation, the value of transit time, and industry trends, all of which have an impact on which port a carrier or shipper chooses to utilize.

To date, two working papers have been completed. The first discusses market competitiveness, elasticity of demand, and user fee funding of infrastructure improvements. The second analyzes West Coast trade flows and the competitiveness of the Ports of Los Angeles and Long Beach (completed June 2003).

Current and future work includes determining total transportation costs, the value of transit time, industry trends, the funding potential of container user fees, computing cargo demand elasticities for rail and truck modes, and determining the most appropriate point user fees could be assessed to avoid diversion to other ports and/or other modes.

This study is expected to be completed by June 30, 2005.

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