

# The Road to Shared Prosperity

*The Regional Economic Benefits of the San  
Pedro Bay Ports' Clean Trucks Program*



Los Angeles  
Alliance for a  
New Economy

Produced for the  
Coalition for Clean &  
Safe Ports

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August 2007

# Acknowledgments

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Many individuals and organizations were indispensable in the creation of this report. Significant research and technical assistance was made possible by member organizations in the Coalition for Clean & Safe Ports, including the Natural Resources Defense Council, East Yard Communities for Environmental Justice, the Long Beach Alliance for Children with Asthma, the Los Angeles County Federation of Labor, and Communities for Clean Ports. Their resources, information and review have been invaluable.

In particular, thanks go to John Canham Clyne at Change to Win for research assistance concerning health care data, the International Brotherhood of Teamsters for sharing data on port drivers, and Tom Plenys at the Coalition for Clean Air for assistance with the emissions inventory.

Thanks also go to Dylan Roby at the UCLA Center for Health Policy Research, Howard Greenwich and Zach Goldman at East Bay Alliance for a Sustainable Economy, Ken Jacobs at the UC Berkeley Labor Center, Brandalyn Patton and Murtaza Baxamusa at the Center on Policy Initiatives, Jared Bernstein at the Economic Policy Institute, Catha Worthman at SEIU, Dan Flaming at the Economic Roundtable, Hien Tran at the California Air Resources Board, Dan Ichinose at the Asian Pacific American Legal Center and Ernesto Nevarez for their time and expertise.

Finally, this project could never have been completed without the hard work of several LAANE staff members. Jessica Goodheart was a constant source of helpful information and assistance in conceptualizing key parts of this analysis. Aiha Nguyen also lent her considerable expertise concerning GIS mapping. Cathy Spears and Yomara Valdez helped to provide administrative and other technical support. Intern Jackelyn Cornejo was responsible for the analysis of driver survey data and production of the GIS maps.

The author takes full responsibility for the contents of this report and is responsible for any errors or omissions it may contain.

# Table Of Contents

Foreword By Manuel Pastor, University of Southern California	4
Executive Summary	7
I. Introduction: A Broken System, and the Proposal to Fix It	9
II. Independent Contractors: A Double Bind for Drivers & the Community	11
III. Employee Status: Financial Benefits for Workers & the Public	15
IV: Health Care Savings: Decreasing Taxpayer Expenditures for Uninsured Drivers	19
V: Environmental and Health Improvements: Cutting Emissions and Reducing Disease	23
VI: Other Benefits of the Clean Trucks Program	27
VII. Conclusion	31
Appendix A: Amount of Benefits Received by City and/or Council District	32
Appendix B: Benefits by Source Category Projected Over Ten Years	33
Endnotes	34

# Foreword

BY PROFESSOR MANUEL PASTOR

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The Ports of Los Angeles and Long Beach handle more than 40 percent of the imports that come into the United States, making the San Pedro Bay a critical locus for America's integration with the global economy. The strong, fluid chains of the logistics industry that begin at the harbor now define our world in the way that the Model T auto plant defined the "Fordist" economy of the early 20th century – and our ports, the largest in the Western Hemisphere, represent enormous incubators of economic growth.

But the port complex is also a microcosm of the inequality of income, wealth, and public health that mark American society at the beginning of the 21st century. For years, affected local communities have complained about environmental burdens from port and truck traffic. Meanwhile, working conditions for those who are one linchpin of the logistics industry – the truckers that move the products to all of us – have been quietly slipping.

The Ports' Clean Air Action Plan (CAAP) squarely addresses these issues, seeking to promote growth and widespread opportunity even as it aims to reduce diesel emissions by at least 45 percent over the next five years. One key part of this "green growth" strategy is a proposed Clean Trucks Program that requires that the trucks servicing the ports reduce their pollution by 80 percent. While the trucks proposal promises potential benefits for maritime business and the harbor communities alike, it has also been controversial.

This report takes up this controversy, discussing some of the benefits that the CAAP will bring to some of the most seriously harmed stakeholders of the Ports' economy — the truck drivers and the local communities — and how the plan could also lift a burden off taxpayers in the area. For the community, the report argues, the trucks program provides a deserved reward for the drivers who move the goods; cleaner air for neighborhoods distressed by respiratory diseases; a significantly lessened public health crisis caused by this pollution; and an ease to the fiscal burden the status quo has placed on taxpayers.

For the industry, the CAAP offers a sustainable, systemic solution to the current dysfunctional system that limits growth by ignoring the chronic environmental problems at the Ports. But the plan holds the hope for more: in proposing a bold reworking of the port economy, it also revitalizes the trust necessary between private capital and the public sector. Finally, investors can see that the Ports are willing to exercise their proprietary right to manage and rationalize their operation to ensure an efficient and functioning market system for all stakeholders. In response, there is new private interest in investing and transforming the harbor trucking industry. And motor carriers would be able to increase in size and market share through a new model that allows firms to compete based upon innovation and service instead of low rates, low wages and inadequate pollution controls.

In short, the combined benefits of a successful Clean Trucks Program for business, labor, and local communities promise broadened political support for this industry and could augur generations of support for one of the most dynamic new sectors in Southern California's economy. We have the opportunity to usher in the kind of

*One key part of this "green growth" strategy is a proposed Clean Trucks Program that requires that the trucks servicing the ports reduce their pollution by 80 percent.*

threshold industry, similar to defense contracting, that so powerfully drove the economy and the California “good life” for decades following World War II.

While many truck drivers, local community groups, environmentalists, public health advocates and residents — all plagued by diesel-related cancer and respiratory risks that more than double those in the rest of the region — have welcomed the clean air proposal, representatives of the trucking industry have savaged the plan. The focus of the criticism: the plan would mandate that 16,000 old diesel rigs be replaced or retrofitted, and it would also require that future contracts to service the Ports will be granted only to firms that are willing to meet the new environmental standards and can implement monitoring by utilizing statutory employees rather than independent contractors.

Dramatic transformation is understandably frightening to those accustomed to the past. But industry opposition would be more credible if representatives offered at least a hint of a constructive alternative to the recognized problems — environmental, public health, and labor abuse — that have plagued the Ports for years. Instead, much of the opposition, led by the motor carrier association, revolves around a single issue: that the CAAP will open the way to the drivers freely choosing to join a labor union.

Such unionization may or may not happen, but, if it does, it would be no great surprise: the Gateway Cities Council of Governments reports that port drivers, now classified as “independent contractors,” average around \$12 an hour after expenses, with virtually no benefits. As the report before you notes, wages and benefits for unionized employees are substantially higher than for non-unionized employees—and these wages and benefits would be paid directly by the companies to the drivers, rather than leaving the drivers to seek support from the public sector, i.e. the taxpayers.

Indeed, drivers making an equitable living for the difficult job they do is fundamental to the economic and environmental logic of the CAAP. As it stands now, cash-strapped truck drivers are not in a position to afford the truck retrofits, even with the public subsidies the Ports hope to raise through bond money and new fees on gate moves. Nor can they afford the expensive computer-driven maintenance necessary to keep the new trucks running “green.”

Under the current system, the drivers are oddly misclassified, lacking any of the options and leverage associated with the term “independent contractor.” They work for one “client”, i.e. their trucking company, and barely can maintain the equipment crucial to their work, their truck. They suffer, and the system as a whole buckles at its weakest point. In any case, Port authorities argue that it would be impossible for them to work with and police such an array of independent contractors; the better bet is to consolidate and provide mechanisms to give current independent contractors first crack at the more stable and humane employment that will result.

The logistics industry represents a golden opportunity to turn globalization to our region's advantage. It can spur the Los Angeles economy and situate us for a new prominence in the 21st century. It can create jobs for those with fewer skills, less education, but a desire to work and contribute; in doing so, it can help stabilize poor neighborhoods in need of job creation and connections. And if we play it right, we can do all this in a way that squares with the “green” vision that is so central to saving our planet.

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*Only by working together can every stakeholder produce the sort of commitments and refinements that will ultimately improve economic efficiencies, remediate environmental issues, stabilize labor problems and benefit everyone.*

Thus, the core principles of the Clean Trucks Program are accountability and sustainability – the burden for buying, retrofitting and maintaining clean trucks shifts from the individual driver to the motor carriers and the multinational shippers who pay their rates. The rewards of the twenty-first century trade boom will be more equitably shared, and a newly balanced market will ensure adequate capital for clean equipment for the foreseeable future.

The Clean Air Action Plan offers a positive vision of how to make this happen, and this report represents a convincing analysis of why moving in that direction is necessary. Even as one sector of the business community pushes in the opposite direction, more far-sighted business leaders — those who are committed to public partnership and growth, regional economic health, and who understand that sustainability is a prerequisite — are realizing that they must step up and open a good faith dialogue about the Port plan. Only by working together can every stakeholder — business, the Port administration, the City and County governments, labor, the environmental community, and community and public health activists — produce the sort of commitments and refinements that will ultimately improve economic efficiencies, remediate environmental issues, stabilize labor problems and benefit everyone.

# Executive Summary

The Ports of Los Angeles and Long Beach are currently considering implementing a Clean Trucks Program (CTP) as part of the Ports' overall Clean Air Action Plan (CAAP). The CTP would limit access to Port terminals to approved concessionaire trucking companies that operate clean trucks and utilize employee drivers. The CAAP is a broader program designed to reduce all Ports-related pollution by 45 percent in five years. This study attempts to quantify the financial impact of what most experts argue is a failed port trucking system. As we will see, the status quo has tremendous costs associated with it. The Ports will provide dramatic and quantifiable benefits to the surrounding communities by implementing the CTP.

Over the first five years of the CTP, we project that the community will see direct and indirect financial benefits of over \$4.2 billion.\* These benefits will accrue from several sources:

- **There is a large pay differential between employees and those working as independent contractors.** Recognizing employee status for all drivers is projected to return over \$174 million annually to the communities in which they live. Removing the misplaced tax burden associated with the independent contractor classification will free up an additional \$14.5 million. This yields over \$360 million annually, in addition to new tax revenue and new jobs created, once the multiplier effect is calculated.
- **The overwhelming majority of drivers currently lack health care and rely on various forms of public (taxpayer-financed) care.** We project that by shifting the health care responsibility for these drivers from the public to an employer-based system, taxpayers will save between \$29.6 million and \$67.9 million annually.
- **Port trucks are responsible for a disproportionate amount of health impacts.** By ensuring a sustainable system for implementing and maintaining clean trucks, the region will save over \$2.2 billion in terms of these health impacts over just the initial five year period. Were diesel emissions from port trucks to be reduced according to CTP projections, the region would see fewer deaths, fewer hospitalizations, and fewer days of missed work and school. (For a complete list of projected health impact improvements, see box next page).

The projected benefits are significant: In contrast, the average independent contractor driver now qualifies for over \$18,000 in taxpayer-financed anti-poverty programs. While it is not known how many drivers are actually enrolled in these programs, the cost to taxpayers could exceed \$134 million annually.

Our analysis of port driver addresses are based on a new review of a quarter of the workforce. Drivers tend to reside in low-income areas of Southern California, and are also concentrated in those areas most impacted by truck emissions and suffering from poor air quality. For these reasons they particularly stand to benefit as the CTP fixes the industry.

\* When we speak of community, we refer to these significant stakeholders in this industry: residents and local businesses in the areas surrounding the Ports and those along associated goods movement corridors; the port drivers themselves; and taxpayers.



*Over the first five years of the CTP, we project that the community will see direct and indirect financial benefits of over \$4.2 billion.*

*The average independent contractor driver may qualify for over \$18,000 in taxpayer financed anti-poverty programs. The cost to taxpayers could exceed \$134 million annually.*

We therefore conclude that not only does the CTP address the Ports' clean-air goals, but it will also inject hundreds of millions of dollars into low-income communities, save taxpayers additional millions of dollars, and achieve long sought-after health improvements. There are numerous other unquantified benefits and secondary effects of the CTP related to port growth and port efficiency improvements, reduced driver turnover and labor unrest and improved pay and working conditions. We will consider each of these benefits to the industry and region in turn.

Who Benefits Under the Clean Trucks Program		
Benefit	Amount (millions)	Beneficiary
Increased Employee Income, Shifted Tax Burden, and Indirect Financial Effect	\$1,805	Port drivers, their families, and the communities in which they live and work.
Health Care Savings	\$225	Southern California taxpayers currently financing health care for the uninsured.
Reduced Health Impacts	\$2,204	Port drivers, residents and businesses located in Port-adjacent areas and along associated goods movement corridors.
<b>Total</b>	<b>\$4,234</b>	

Note: Benefit over the course of the initial five-year period

Health Impacts (Annual) Under a Fully Implemented Clean Trucks Program
• 87.6 fewer premature deaths
• 103 fewer hospital admissions
• 2,449 fewer cases of asthma, bronchitis and other respiratory symptoms
• 13,140 fewer lost work days
• 142,350 fewer minor restricted activity days
• 40,150 fewer school absence days

# I. Introduction: A Broken System, and the Proposal to Fix It

Port trucking in the San Pedro Bay is one of the clearest examples of a market failure in the American economy. When the costs of doing business are not borne by industry, but are instead pushed outside of the industry's cost structure, this type of market failure is known as externalizing costs.<sup>1</sup> Such negative externalities have characterized the port trucking industry for nearly 30 years.

One well-understood negative externality in any industry is pollution. Though pollution can seem (to the emitter) to be cost-free, it actually comes with tremendous costs. In the case of port trucking, pollution means dirty, foul-smelling air that significantly harms the health of harbor residents and those who reside along associated goods movement corridors. These health impacts come with a distinct price tag, as countless studies have shown.<sup>2</sup>

One result of this particular negative externality is that the Ports cannot grow to meet projected increases in container traffic. This, of course, is one of the reasons for the development of the Ports' Clean Air Action Plan (CAAP) in the first place.\* All else being equal, economic growth is an undeniably good thing, creating jobs and wealth for the community. The current conditions at the Ports, however, demonstrate that all else is *not* equal: repeated lawsuits and community protest have prevented the Ports from expanding to meet demand unless they clean up their pollution. While most other segments of the goods movement industry have moved towards meeting this obligation (including rail, shipping lines and terminal operators), the port trucking industry has continued to fight clean-up attempts.

Pollution is far from the only negative externality associated with port trucking; it is only the most visible. Externalities also occur when an industry pushes costs typically associated with the production of a good (or the delivery of a service) onto the public. When companies fail to provide health care or sustainable wages to the 16,800 drivers who move the cargo every day,<sup>3</sup> the drivers must simply do without or turn to various taxpayer-financed programs, and they shoulder added out-of-pocket costs. In most cases, it is the taxpayer who picks up this particular tab, though other struggling family and community members no doubt play a significant role.

The port trucking industry therefore moves goods through the region only by externalizing many of its costs that are then borne by three distinct groups: the drivers themselves, the local communities around the Ports and along associated goods movement corridors, and local taxpayers.

The Clean Trucks Program (CTP) is a significant component of the CAAP, and would, among other things, limit access to Port terminals to approved concessionaire trucking companies that operate clean trucks and utilize employee drivers. This will require that the industry recognize — and internalize



*Port trucking is one of the clearest examples of a market failure in the American economy.*

*The CTP will require that the industry recognize and internalize the true costs of port trucking.*

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\* The CAAP, approved by both Ports in November 2006, is designed to reduce pollution from all sources at the Ports by at least 45 percent in five years.

*The independent contractor system has not only prevented environmental improvements but has also kept drivers in near poverty and prevented them from improving conditions on their own.*

*The Port of Los Angeles calculated that the incremental cost of the CTP on the retail price of an iPod would be less than a penny on the \$199 product.*

— the true costs of port trucking. Through implementation of the CTP, market failure can be corrected, externalities can be internalized, and obstacles to growth can be lifted. Moreover, as this report shows, a fully implemented CTP will result in an economic benefit to the region of over \$4.2 billion dollars over just the initial five-year life of the program.

In this report, we demonstrate the nature of these economic benefits. We start by examining the main culprit of the current crisis, the independent contractor system that has not only prevented environmental improvements but has also kept drivers in near-poverty and prevented them from improving conditions on their own. We then examine and quantify the main sources of the various economic benefits: improved pay to drivers and a rationalization of the industry's payroll tax structure; reduced reliance on public funding for health care for the uninsured drivers; and reduced costs associated with the health impacts of the pollution caused by port trucking. Finally, we analyze new data on where port drivers live, thereby showing what these overall regional benefits will mean for specific low-income communities in Southern California. We also note various additional benefits to industry and to the community that will be realized through the CTP.

The general findings — that the Clean Trucks Program will have significant benefits both deep and broad — are in line with the notion that an ounce of prevention is worth a pound of cure. The cost-effectiveness of the program should not be surprising. The California Air Resources Board has already demonstrated that for every \$1 invested in reducing emissions, there will be \$3 to \$8 in benefits.<sup>4</sup> The same principle applies in other areas as well: when workers can get regular preventative health care, for instance, they do not have to defer medical visits until a more costly crisis point.<sup>5</sup>

These costs will have to be borne somewhere. But by building these costs into the cost structure of the industry, we ensure that they are paid by the true beneficiaries. The trucking companies for whom the drivers work, the mega-retailers who own the products being transported, and ultimately the consumer, who will have to pay slightly more when they purchase their imported products.\* Through locating these costs where they appropriately belong, the costs will become more transparent and will allow the market to better determine rates. Importantly, this will also ease the burden from all those abused by the current system: drivers, local residents, and taxpayers who want to breathe clean air and share in the benefit of projected Port growth.

\* It is worth noting, however, that cost increases to the retailer and the consumer are likely to be quite small. Transportation costs account for only 1 percent of the retail cost of a product. And the cost of the port trucking move accounts for only 2 percent of that 1 percent. (Arthur Donovan and Joseph Bonney, *The Box That Changed the World*, 2006; "Radar Screen," *Journal of Commerce*, March 13, 2006.) The Port of Los Angeles calculated that the incremental cost of a Clean Trucks Program on the retail price of an iPod would be less than a penny on the \$199 product. (Paul Johansen, Assistant Director of Environmental Management, Port of Los Angeles, "Options for Leveraging Funding for Clean Port Truck Programs," Presentation at Faster Freight Cleaner Air conference, February 28, 2007.)

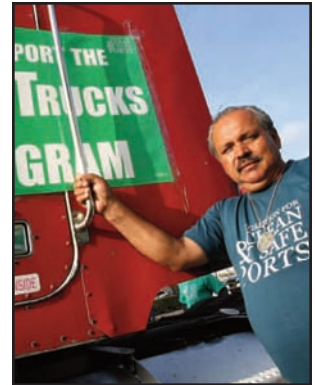
## II. Independent Contractors: A Double Bind for Drivers & the Community

### A Transformed Industry

Conditions facing port drivers changed dramatically starting in the early 1980s.<sup>6</sup> Deregulation essentially removed all significant barriers to entry and opened the doors to a new type of driver: the independent contractor.\* Prior to this time, port truckers had all been recognized as employees, and nearly all were union members with well-paying jobs that provided health care, a pension, job security and other benefits. After deregulation, the industry shifted rapidly and was characterized by a newly-fragmented market, extensive reliance on independent contractors, and consistent rate undercutting, creating a race to the bottom. The industry, in other words, began to resemble segments of the underground economy more closely than it resembled the old, stable port trucking industry.

One study found that deregulation was responsible for a twenty percent wage decline for truckers.<sup>7</sup> The worsening conditions were not limited to the immediate aftermath of deregulation; conditions are still deteriorating. In just the few years between when data on port drivers were collected in 2003, and again in 2006, wages increased an inflation-adjusted six percent, while hours worked increased by eighteen percent.<sup>8</sup> A number of studies in recent years have examined the conditions facing port truck drivers today. Authors have described these jobs as being “pursued only by the economically desperate,” “notoriously low-paying,” and have noted that “in many cases, the drivers could make more money flipping hamburgers.”<sup>9</sup>

As the economics of the industry shifted to what we see today, its demographics transformed as well. Port trucking is currently dominated by drivers who self-identify as Hispanic (approximately 92 percent). About half report being U.S. Citizens, and 88.6 percent report being born outside of the U.S.<sup>10</sup> At the same time, independent contractors have come to dominate the market. Because there are different terms to describe the legal nature of the employment structure (see footnote below) there is not a clear answer for the breakdown of the workforce between independent contractor drivers and employee drivers; different surveys have found different ratios.<sup>11</sup> Our assumption, based on these surveys and based on conversations with thirty percent of the workforce, is that independent



*Deregulation  
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truckers.*

\* In the popular and industry press, the terms “independent contractor,” “owner-operator” and “independent owner-operator (IOO)” are used interchangeably. This is unfortunate, as it obfuscates the true meanings of the terms. It is worth noting that the terms do have distinct meanings: independent contractor refers to the legal type of employment structure (and is contrasted with employee status); owner-operator refers simply to who has legal ownership of the truck (and is generally contrasted with employee driver); IOO is sometimes used as shorthand for the combination of these two conditions: an independent contractor owner-operator. (This happens to be the most common driver status at the Ports, though drivers who own their own trucks can be either statutory employees or independent contractors.)

*“Businesses become nonemployers to avoid the cost of workers’ compensation, paid leave, health insurance and state taxes.”*

- Los Angeles Times

*After accounting for truck-related expenses, the median driver’s gross income of \$75,000 drops over 61% to a median net of \$29,000.*

contractors constitute 88 percent of drivers in the San Pedro Bay Ports, with employee drivers accounting for 12 percent.

This simultaneous economic and racial shift within the workforce should not be surprising; such changes often go hand in hand. Recent immigrants are a more vulnerable workforce and are therefore more likely to accept this sort of employment structure. Indeed, a recent Census Bureau report found that Los Angeles leads the nation in the use of independent contractors.<sup>12</sup> Further, the *L.A. Times* reports, the independent contractor status is especially foisted on recent immigrants who are not given a choice about the employment structure. According to the article, the reasons that trucking companies use the independent contractor status are clear:

*“A lot of people want to have a business but don’t want the headaches of actually having to employ people,” said Jack Kyser, chief economist at the Los Angeles County Economic Development Corp... Los Angeles-area businesses become nonemployers to avoid the costs of workers’ compensation, paid leave, health insurance and state taxes, he said. Contractors end up paying more for their own healthcare or go without it.”<sup>13</sup>*

## Independent Contractors v. Employees: The Differences, The Differential

As a result of their independent contractor status, drivers are responsible for all of the risk and responsibility of port trucking, but do not share in much of the reward. This is because, as self-employed independent contractors, drivers take home earnings only after all of the expenses of operating their trucks are paid. This includes fuel, insurance, truck payments, repairs, maintenance, and various licenses, taxes, tolls, parking and tickets. A recent study prepared for the Gateway Cities Council of Governments found that after accounting for these expenses, the median driver’s gross income of \$75,000 drops over 61 percent for a median net of \$29,000.<sup>14</sup> Drivers are also typically paid by the load, such that waiting time — up to 50 percent of a typical driver’s 13-plus-hour work day — is uncompensated.<sup>15</sup> Only ten percent of drivers have any health insurance, and only five percent have any pension benefits.<sup>16</sup>

One key finding in the Gateway Cities study is the vast difference in pay for drivers classified as independent contractors and those classified as employees. According to survey findings, (based on *mean* net income of \$29,432, with 50 weeks worked per year, and 50.8 hours worked per week), the average independent contractor driver makes \$11.59 per hour.<sup>17</sup> The study also found that the mean employee driver makes \$16.30 per hour, a difference of 40.6 percent over what his independent contractor counterpart makes. (We will return to the significance of this income differential in Section III.)

It is beyond the scope of this report to fully examine the legal question of driver classification. However, it is worth noting that the main criterion for independent contractor status is the exercise of independent control and direction over the nature of the work. Such independence is lacking among port drivers. True independent contractors also operate under their own Department of Transportation operating authority, rather than the authority of the trucking company for whom they work. This too is not the case for most independent contractor drivers. These drivers are wholly dependent on the trucking companies who assign them work and dictate rates of pay.

Having drivers operating on thin margins is one of the main reasons why the current fleet of trucks has been as ill-maintained as it has been. Therefore addressing the independent contractor status is essential from the perspective of evaluating any program designed to clean up port trucks. If the risk and responsibility for purchasing — and, importantly, maintaining — these new and more expensive trucks are placed on the shoulders of the drivers, the policy would be unlikely to achieve any sustainable clean-up.

## The Public Pays the Price

Independent contractor drivers qualify for many public welfare programs. Given their low net income, drivers may rely on a variety of social safety net programs to make ends meet.

Consider this typical independent contractor driver's family of four, with a household income of \$29,000.<sup>18</sup> What anti-poverty programs would be accessible to the driver? As we see in the chart below, this family (shown in the left-hand column) would qualify for the Earned Income Tax Credit, Section 8 housing, reduced price school meals and WIC. In total, our family could qualify for up to \$18,173 in subsidies and benefits.<sup>19</sup>

Annual Subsidies for Drivers by Employment Status <sup>21</sup>		
Employment Status	Annual Benefits	
	Independent Contractor	Employee
Adjusted Gross Income	\$29,000	\$40,774
Earned Income Tax Credit	\$1,964	\$0
Section 8 Housing	\$15,228	\$0
Reduced-Price School Meals	\$542	\$0
WIC	\$439	\$0
<b>Total Anti-Poverty Subsidies</b>	<b>\$18,173</b>	<b>\$0</b>

As a comparison, consider an employee driver (shown in the right-hand column). Nothing changes about family structure, except that the typical employee driver makes \$40,774 rather than \$29,000.<sup>20</sup> This driver is ineligible for any of the four specified programs.

As half of all independent contractor drivers make less than the median income, we know that at least 7,392 drivers would qualify for these subsidies. (Higher income drivers would still qualify for some reduced subsidies, and lower income drivers would qualify for even more subsidies.) If all of those drivers who qualify at just this level were to receive these subsidies, taxpayers would be paying over \$134 million every year to help provide a basic safety net for drivers. It is not

*If all drivers who make less than the median income received subsidies, taxpayers would be paying over \$134 million every year to help provide a basic safety net.*

known how many drivers actually receive these subsidies, and therefore this calculation has not been included in the overall benefit of the CTP. As such, the total figure provided in this report should be seen as providing a floor of possible economic benefits; actual benefits may be significantly greater.

## The Double Bind

*Independent contractors are not covered by important employee-based programs such as disability insurance, workers' compensation insurance, unemployment insurance, and paid family leave.*

One of the main reasons that independent contractor drivers require extensive public assistance is that anti-trust laws deny them basic self-help opportunities. Although drivers lack any meaningful notion of independence (namely, their own legal operating authority, or control and direction over the nature of the work), they are considered independent businesses. Businesses, of course, cannot collude to set prices; this is the basis of anti-trust law. As independent contractors, drivers therefore do not have the right to join together or engage in collective, concerted activity to improve their working conditions.\* If drivers were to even discuss their rates of pay, it could be found to be an illegal action in restraint of trade.

Independent contractor drivers are therefore in a double bind. They do not make enough money to fully provide for themselves, their families and their businesses. At the same time, their classification as independent contractors prevents them from being able to improve their conditions in the typical manner pursued by millions of workers in the U.S.: through organizing a union.

There are additional significant hardships associated with the independent contractor status. Independent contractor drivers do not receive typical employment-based benefits such as health insurance or pensions. Independent contractors are not covered by important employee-based programs such as disability insurance, workers' compensation insurance, unemployment insurance, and paid family leave. They are also exempt from overtime, minimum wage and worker safety rules and regulations.

The case of Ramon Leos-Placencia illustrates this trap in dramatic fashion.<sup>22</sup> Mr. Leos-Placencia was a port driver at the San Pedro Bay Ports. On November 2, 2006, Mr. Leos-Placencia entered a terminal at the Ports along with his sixteen-year-old son, who was helping him load a chassis. In the process, the chassis shifted and crushed the man, killing him. Port police initiated an investigation but quickly passed it to Cal/OSHA. On determining that Mr. Leos-Placencia was not an employee, however, Cal/OSHA was forced to stop its investigation, as the agency's purview extends to employees only. No thorough investigation of how this tragedy happened — or how it could be prevented from recurring — has ever been completed.

\* It should be noted that this legal prohibition has done little to prevent drivers from attempting to unionize. There have literally been dozens of instances in the past twenty years where drivers at the San Pedro Bay Ports engaged in (allegedly illegal) organizing activity. While this has yielded a massive amount of disruption to Port operations, most drivers have never been successful in forming a union.

## III. Employee Status: Financial Benefits for Workers & the Public

### Over 40 Percent Income Differential

Part of the CTP would require that port drivers be recognized as employees rather than independent contractors. We examine the impact such a shift would likely have on driver earnings based on the above findings. Based on the wage differential of 40.6 percent found in the Gateway Cities study, the average independent contractor driver would see earnings rise from a median income of \$29,000 to a median income of \$40,774.<sup>23</sup> Assuming that of the 16,800 drivers, 88 percent are independent contractors, this translates to a direct financial benefit to the workforce of an additional \$174,066,816 annually.

This is a conservative estimate. Observers and analysts of the port trucking market note that two primary reasons for low driver pay are a) the predominance of the independent contractor model, and b) the lack of any Port oversight regarding industry standards. These two factors, as noted above, create intense competition among small trucking brokers to keep harbor trucking rates, and therefore driver pay, low.

The second reason why this is a conservative estimate of income growth again has to do with anti-trust law. Because most drivers are currently prohibited from unionizing, pay has been artificially suppressed. It seems reasonable to expect that once drivers are recognized as employees, and have the right to form unions and collectively bargain, pay would improve further.<sup>24</sup> Nevertheless, we have not attempted to quantify such an impact.

### Correcting the Misplaced Tax Burden

Another way that the port trucking industry externalizes its costs is through the failure to pay proper taxes on workers. If drivers were recognized as employees, then the trucking companies would be responsible for sharing the various payroll taxes with the drivers. As it is, independent contractor drivers must still pay all of these taxes, while trucking companies do not shoulder any payroll taxes.<sup>25</sup>

The two key components of payroll taxes are Social Security (taxed at a rate of 12.4 percent) and Medicare (taxed at a rate of 2.9 percent). The employee pays half of this amount, and the employer pays the other half. Independent contractors, however, are entirely responsible for paying these taxes out of pocket.

The average driver, therefore, saves an additional \$979 every year by being an employee. Note that this savings is even despite the more than 40 percent earnings differential for the employee driver. For the independent contractor workforce as a whole, this translates to an additional \$14,473,536 annually.



*Assuming that of the 16,800 drivers, 88% are independent contractors, this translates to a direct financial benefit to the workforce of more than \$174 million annually.*

### Tax Burden for Prototypical Driver <sup>26</sup>

	Independent Contractor	Employee
Net Earnings	\$29,000	\$40,774
	x 92.35%	x 100%
Taxable Income	\$26,782	\$40,774
	x 15.3%	x 7.65%
<b>Driver Tax Burden</b>	<b>\$4,098</b>	<b>\$3,119</b>

*It may not be surprising that there is a strong correlation between where drivers live and poor communities in Southern California.*

## Echoing Through the Community

Hundreds of millions of dollars of new money flowing into Southern California communities every year would be a huge boon to the region. This, however, is only part of the story. What is more significant is a review of the specific communities that will benefit from the increased revenue to drivers. A new survey of 4,500 San Pedro Bay port drivers demonstrates exactly where these drivers live. It may not be surprising that there is a strong correlation between where drivers live and poor communities in Southern California.

Nearly half of all port drivers who live in Los Angeles County live in high-poverty areas. The picture on the following page illustrates the starkness of the relation.

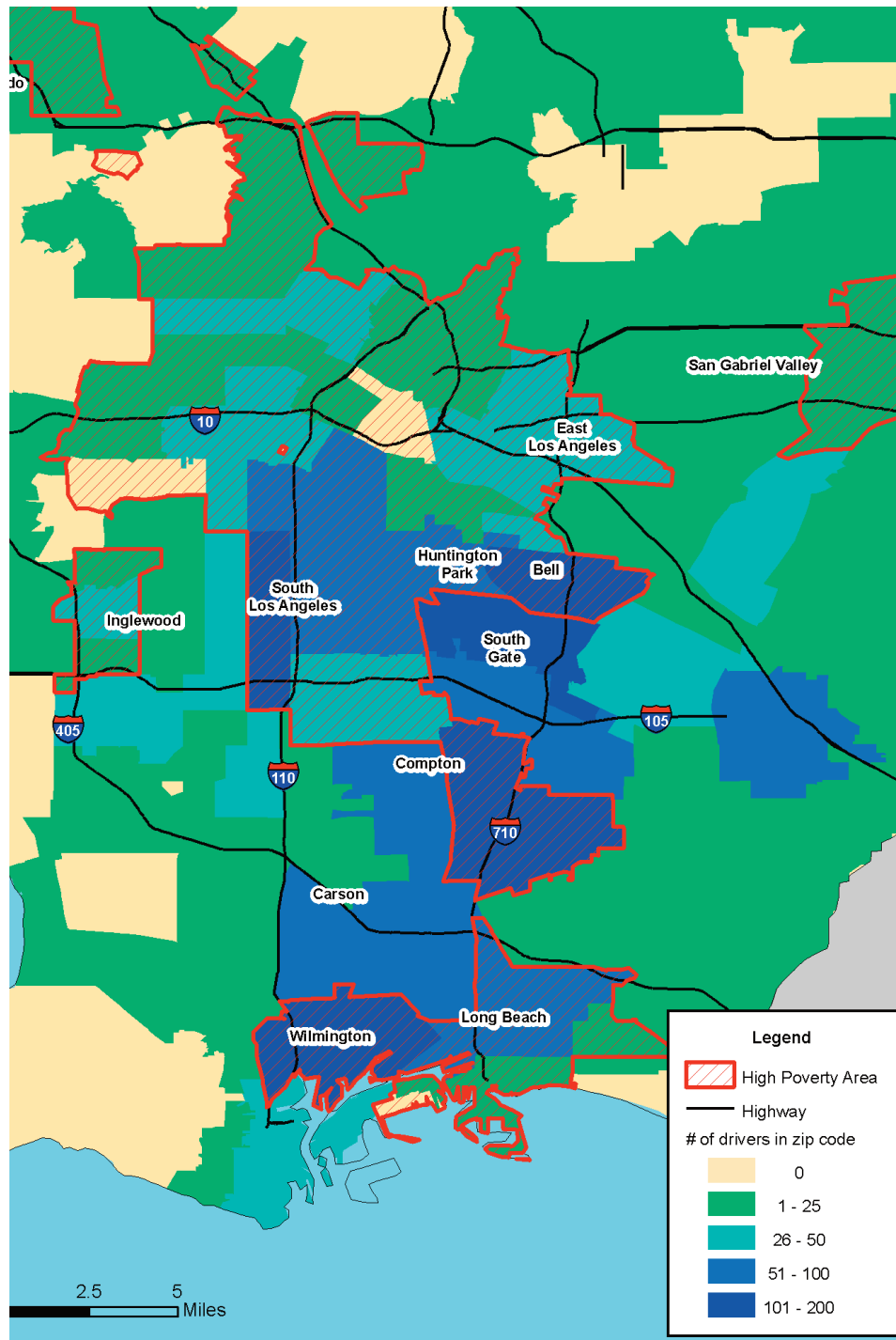
This increased revenue to drivers is not likely to be set aside in a savings account. Government data indicate that the lower the income grouping for a household, the larger a proportion of that income will be spent.<sup>28</sup> This is also true for marginal increases in income, as researchers found from examining the spending patterns following the tax refund of 2001.<sup>29</sup>

Because of this phenomenon, this money therefore does “double duty” in stimulating the economies of poor communities. When these increases are spent, they generate new sales and create new jobs in other businesses. Drivers spend more money on food, clothing, entertainment and other discretionary categories. The retailers where these dollars are spent then have additional dollars to spend on suppliers and on employees. Based on economic modeling, we calculate a multiplier effect: for every \$1 increase to drivers, the true stimulus to the community will be \$1.91.<sup>30</sup>

Based on this economic modeling, we see that the \$174 million in increased pay and the \$14.5 million saved through shifting the tax burden actually yields a much greater benefit. Together, the total amount of money that will be felt throughout the community is \$360,887,337.<sup>31</sup>

These multiplier effects are themselves likely to be most pronounced in these same communities most in need. This “spatial effect” indicates that lower-wage

**Concentration of Port Drivers in High-Poverty Areas <sup>27</sup>**



Source: 2007 Driver Survey, 2000 U.S. Census, ESRI TIGER

*Nearly half of all port drivers who live in L.A. County live in high-poverty areas.*

workers are more likely than higher-wage workers to spend their money locally. Indeed, the model demonstrates that 73.4 percent of all spending by these households will be within the County. This should not be surprising: most of the spending by these households is on items such as food, entertainment, clothing, repairs and personal services that are all likely to be purchased in the neighborhoods where drivers live. In this way, the CTP funnels money into those very communities most in need of additional economic stimulus.

For a full account of the impact the \$360 million will have upon specific cities and communities (and in what proportion), see Appendix A.

*Because low-income households tend to spend rather than save marginal increases in income, this new money will stimulate the economies of poor communities.*

## IV: Health Care Savings: Decreasing Taxpayer Expenditures for Uninsured Drivers

### The Public Cost of the Health Care Crisis

Health care is a crisis throughout both the United States and, especially, in California. Some 46.6 million people are uninsured in the U.S., or 15.9 percent of the population. In California, the crisis is even more acute, with over 6.9 million people (19.4 percent of the population) uninsured for all or part of the year.<sup>32</sup> Conditions in Los Angeles County are worse still: 23.5 percent of the non-elderly population — and 29.9 percent of the non-elderly adult population — lacked insurance for all or part of the year.<sup>33</sup> Most of these uninsured Californians are workers. The California Health Interview Survey found that more than 80 percent of the uninsured are workers and their family members.<sup>34</sup>

Although job-based coverage has declined in recent years, it remains the most popular source of insurance coverage (for the non-elderly) in the United States: 63.5 percent of the non-elderly adult population and 70.2 percent of workers receive job-based coverage.<sup>35</sup> Hispanics, however, are less likely than any other ethnic group to have job-based coverage: only 42.4 percent of non-elderly adult Hispanics — and 49.1 percent of working Hispanics — have job based coverage.<sup>36</sup> Lower income individuals (as well as lower-income workers) similarly are less likely to have job-based coverage.<sup>37</sup> The large number of working uninsured, however, demonstrates the difficulties that many workers — especially lower-income, Hispanic workers — have in accessing job-based coverage.

When workers do not receive health coverage through their jobs, most turn to public programs or remain uninsured because the cost of purchasing private insurance tends to be prohibitively expensive. In some form or another, uninsured workers therefore rely on taxpayer money: either by enrolling in programs such as Medi-Cal or Healthy Families, or by visiting hospital emergency rooms where reliance on County indigent care programs effectively raises prices for everyone else.<sup>38</sup> Too often, the uninsured simply forego health care until a problem can no longer be deferred; by this time, the health impact is likely to be significantly more severe, and the effect of putting off care is highly cost-ineffective.

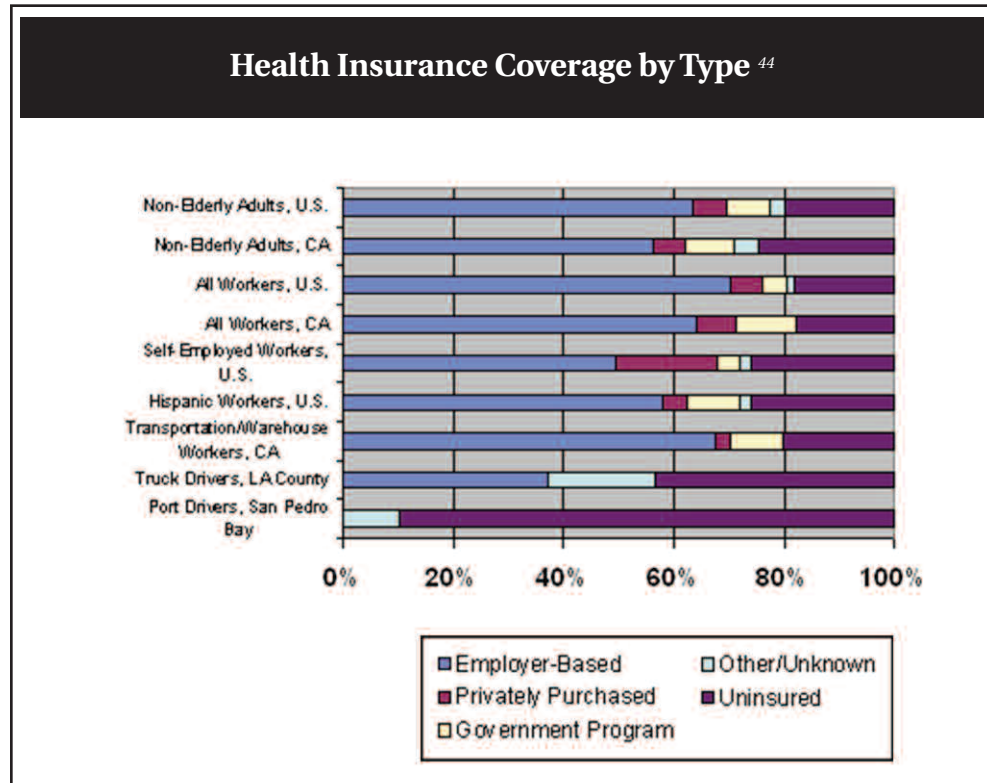
The cost of caring for these millions of uninsured Californians is a significant drain on government and taxpayers. In Los Angeles County, federal, state and local governments and private charities will spend \$1,475 per full-year uninsured adult and \$1,930 per full-year uninsured child in direct payments and indirect subsidies for health care this year.<sup>39</sup> Medi-Cal costs the state approximately \$910 per year for each non-disabled adult it covers, and \$1,194 for each child up to the age of 18.<sup>40</sup> Healthy Families costs the state approximately \$2,129 per year for each child covered.<sup>41</sup> Those costs are borne by the taxpayer, and disproportionately by those taxpayers who themselves pay for private health insurance. Businesses, their employees who finance employer-sponsored coverage and individuals who purchase private insurance pay up to 10 percent higher premiums than they would otherwise if they did not have to cross-subsidize the uninsured.<sup>42</sup>



*Only 10% of drivers have any health insurance, and only 5% have any pension benefits.*

## Disproportionate Costs of the Driver Population

Compared to any benchmark, port drivers fare miserably when it comes to health insurance coverage. According to the only survey of port drivers to ask about health care, only 10 percent of drivers have any sort of health care coverage at all.<sup>43</sup> (The source of the coverage for this 10 percent is not known; however, it likely



*The drivers themselves are only part of the picture; their families also have unmet health care needs.*

includes a mix of employer-based coverage, spouse-based coverage, public programs, and privately-purchased coverage.) In other words, 90 percent of truck drivers at the San Pedro Bay Ports lack *any* form of health insurance.

Without more detailed surveys of the health and insurance status of drivers and their families, it is difficult to get a clear picture of how healthy they are, the sources of their insurance coverage, how much health care they receive and where they get it. However, even using fairly conservative assumptions, the picture of health insurance coverage for port drivers and their families comes with a significant price tag.

If we assume that 100 percent of those drivers with “other” coverage receive coverage from a non-public source (i.e., employer coverage, spouse coverage, or self-purchased coverage),<sup>45</sup> this leaves the region with 90 percent of drivers — 15,120 drivers — chronically uninsured.

The drivers themselves are only part of the picture. The families of the drivers also have health care needs. 79 percent of drivers are married, and drivers have an average of 2.31 children.<sup>46</sup> This means that in addition to the drivers, there is an additional driver-dependent population of 49,050 (12,552 spouses and 36,498 children).

We assume that these dependents have coverage roughly in proportion to statewide averages for similar individuals in their ethnicity and income categories. This is a conservative assumption given that the drivers themselves are more than twice as likely as other Latino men to be uninsured.<sup>47</sup> If we assume that the drivers' spouses and children are uninsured at the same rate as the Latino population in general,<sup>48</sup> and they receive public insurance coverage at the same rate as other Latino women and children,<sup>49</sup> federal, state and local agencies and private charities will spend \$67,990,996 annually on health services and insurance for port truck drivers, their spouses and children.

## CTP Reduces the Public Burden

What will happen to this public burden under the CTP? In attempting to answer that question, we first have chosen to exclude two critical public costs – the negative health impact of lack of health insurance, and the burden of out of pocket costs on the drivers and their families.

It is well documented that lack of insurance inhibits access to primary and preventive care, causing long delays in access to care, and serious health consequences. The uninsured get sicker, receive treatment later and are more likely to die from disease than the insured.<sup>50</sup> By leaving drivers without either employer-sponsored health insurance or the income to afford private coverage, the trucking industry's independent contractor system puts drivers in a dangerous — even fatal — bind. The Institute of Medicine notes that studies that follow people over a 5 to 17 year period found that adults younger than 65 who lack health insurance have a 25 percent higher risk of death than those with private insurance.<sup>51</sup> This danger, especially to drivers who are at high risk of cancer, must be acknowledged as a crucial cost potentially reduced by the CTP.

Although a huge portion of health care costs for uninsured people are paid for out of pocket, the rapid deterioration of the private insurance market makes it extremely difficult to project changes to out of pocket costs as drivers transition to employer-sponsored health care. A 2004 UCLA study actually found that direct out of pocket payments for health care for insured and uninsured adults were virtually the same.<sup>52</sup> The insured are likely paying for a somewhat different basket of services, and, more importantly are likely to have higher wages than uninsured workers and are therefore more able to afford out of pocket health costs and avoid the most extremely harmful health consequences faced by the uninsured. Nevertheless, for the purposes of this analysis, we focus only on the potential reduction in public costs associated with the drivers' current lack of employer-sponsored coverage.

The exact amount by which private industry would offset the public costs of drivers' health care (and that of their families) depends primarily on two factors: the rate at which companies offer health insurance and the rate at which it is taken up by the driver population. This, in turn, is dependent on coverage being affordable to the drivers and on the benefit levels in the plan. We estimate the potential public savings to range from a minimum of \$29.6 million (at low offer/take-up rates) to the full \$67.9 million currently spent by the public (at 100 percent offer/take-up rates). The actual number depends on the ability of companies to afford to offer coverage, which in turn depends on rates, profits and firm size. If concessionaire companies offer insurance to drivers as often as do companies with 50 employees, and drivers accept single and family insurance at the same rate as other workers, we can expect \$45,048,236 in public savings.<sup>53</sup> These are reasonable assumptions, and the resulting figure lies at the rough

*Federal, state, and local agencies and private charities will spend nearly \$68 million annually on health services and insurance for port truck drivers and their families.*

*If the concessionaire companies offer insurance to drivers as often as companies with 50 employees, we can expect more than \$45 million in public savings.*

*In the Gateway  
Cities study,  
100% of trucking  
companies  
reported that  
they provide  
employer-paid  
insurance for  
their current  
employee  
drivers.*

midpoint of the range of savings; we therefore conclude that the CTP is likely to save the public over \$45 million annually in health care costs.

There is reason to believe that trucking companies with employee drivers at the San Pedro Bay Ports may offer health insurance at a higher rate. In the Gateway Cities study, trucking companies at the Ports were asked what sort of benefits they provided to their employee (rather than independent contractor) drivers. 100 percent of surveyed trucking companies reported that they provide employer-paid health insurance for the driver.<sup>54</sup> Despite this hopeful finding, this analysis made the more conservative assumptions described above.

There are two caveats about the possibility for significant added public benefits concerning health care. First, unionization could potentially play a role in increasing public savings. Nationally, unionized workers are much more likely to have family health insurance with no employee contribution (43 percent compared to 7 percent of non-union companies), and when a contribution is required, unionized workers pay much less per month (\$211.91 versus \$323.80).<sup>55</sup> Unionized companies also tend to offer more generous benefits.<sup>56</sup> Thus, if significant numbers of drivers choose to form unions, it is likely that the public would be relieved of nearly all of its current burden for these low-income workers and their families.

Finally, it is worth noting that health insurance premiums are a more effective form of spending than subsidizing charity hospital care and the other elements of our patchwork system for caring for the uninsured. Having insurance reduces the risk of illness and speeds recovery from injury because patients seek care when they need it, not when they can afford it. Thus, shifting spending from the public ledger to employer-sponsored health insurance offers the benefit of increased health and well-being, and a reduction in the burden on safety net providers.

Though these considerations are both important and likely to increase savings to the public, we have not attempted to quantify them in this analysis. Actual savings, therefore, are likely to be higher than \$45 million annually.

## V: Environmental and Health Improvements: Cutting Emissions and Reducing Disease

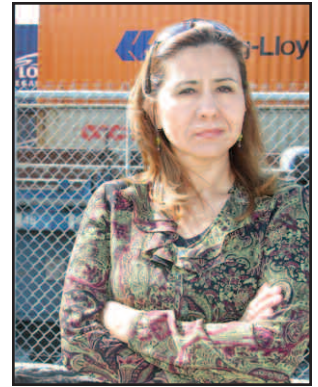
The twin San Pedro Bay Ports are the single largest fixed source of air pollution in Southern California.<sup>57</sup> There are multiple sources for the pollution emitted at the Ports: in addition to port trucks, major emitters include ships, trains, harbor craft, and cargo handling equipment. Port trucks, however, are likely the most significant contributor to the pollution that damages human health.

All these sources of emissions — including port trucks — emit various harmful pollutants, including diesel particulate matter (DPM), nitrogen oxides (NOx) and sulfur oxides (SOx). DPM has been found by the state of California to be a toxic air contaminant based on its potential to cause cancer, premature death and other health problems. Indeed, because of the prevalence of port trucks in certain parts of the San Pedro Bay area and along associated goods movement corridors, residents commonly refer to these areas as “diesel death zones.” An analysis by the California Air Resources Board has shown that diesel-related pollution is one of the leading causes of death in the state, higher than second-hand smoke, car crashes, or homicides.<sup>58</sup>

Just how significant the contribution of port trucks is to overall Ports-related pollution has also been examined. Port trucks are responsible for roughly 10 percent to 31 percent of port-related DPM; they are responsible for roughly 26 percent to 40 percent of port-related NOx.<sup>59</sup> The problem with truck emissions, however, is not only seen in terms of tons of pollutants emitted. A significant part of the problem lies in *where* these pollutants are emitted. Port trucks travel through dense urban areas, often driving through residential neighborhoods and near schools and parks. The impact, therefore, of truck-related pollutants is significantly greater, because of the heightened exposure rates. In other words, a ton of DPM emitted by a truck on a residential street in South Los Angeles is significantly more deadly than a ton of DPM emitted by a ship twenty miles offshore.

As awareness of this problem has grown in recent years, there have been many studies attempting to analyze the health impacts of the goods movement industry.<sup>60</sup> The most detailed, for the purpose of analyzing the contribution of port trucks in particular, is the Emission Reduction Plan for Ports and Goods Movement in California (ERP), released in 2006 by the California Air Resources Board (CARB). CARB undertook a detailed study to examine the health impacts of all elements of the goods movement industry, in all parts of the state. The ERP looked at a wide range of health outcomes, from missed work and school days, to asthma and bronchitis, to hospital admissions and death. The ERP also calculated the cost to the state of California of these health impacts. In 2005 alone, the cost was \$19 billion.

Based on the extensive data presented in the ERP, we can estimate the amount of damage (in terms of health impacts) currently caused by the broken port trucking system. We can also calculate the approximate cost of this crisis.<sup>61</sup> As noted above, the ERP presents data on pollution associated with all sources of goods movement throughout California. The Southern California Air Basin is responsible for fully half of the statewide health impacts. Trucks are responsible for 62.5 percent of all health impacts, and port trucks account for 14.6 percent of the diesel particulate matter



*A ton of DPM emitted by a truck on a residential street in South L.A. is significantly more deadly than a ton of DPM emitted by a ship 20 miles offshore.*

### Annual Health Effects & Valuation Associated with Goods Movement and Port Trucks <sup>62</sup>

Health Outcome	Statewide, All Sources		San Pedro Bay Port Trucks	
	Cases Per Year	Economic Value (thous.)	Cases Per Year	Economic Value (thous.)
Premature Death	2,400	\$19,610,000	109.5	\$894,839
Hospital Admissions (respiratory causes)	2,000	\$69,160	91.25	\$3,155
Hospital Admissions (cardiovascular causes)	830	\$35,100	37.87	\$1,601
Asthma and Other Lower Respiratory Symptoms	62,000	\$1,135	2,828.75	\$52
Acute Bronchitis	5,100	\$2,271	232.69	\$103
Work Loss Days	360,000	\$67,100	16,425	\$3,061
Minor Restricted Activity Days	3,900,000	\$237,420	177,937.5	\$10,833
School Absence Days	1,100,000	\$103,230	50,187.5	\$4,710
<b>Total</b>		<b>\$20,128,000</b>		<b>\$918,355</b>

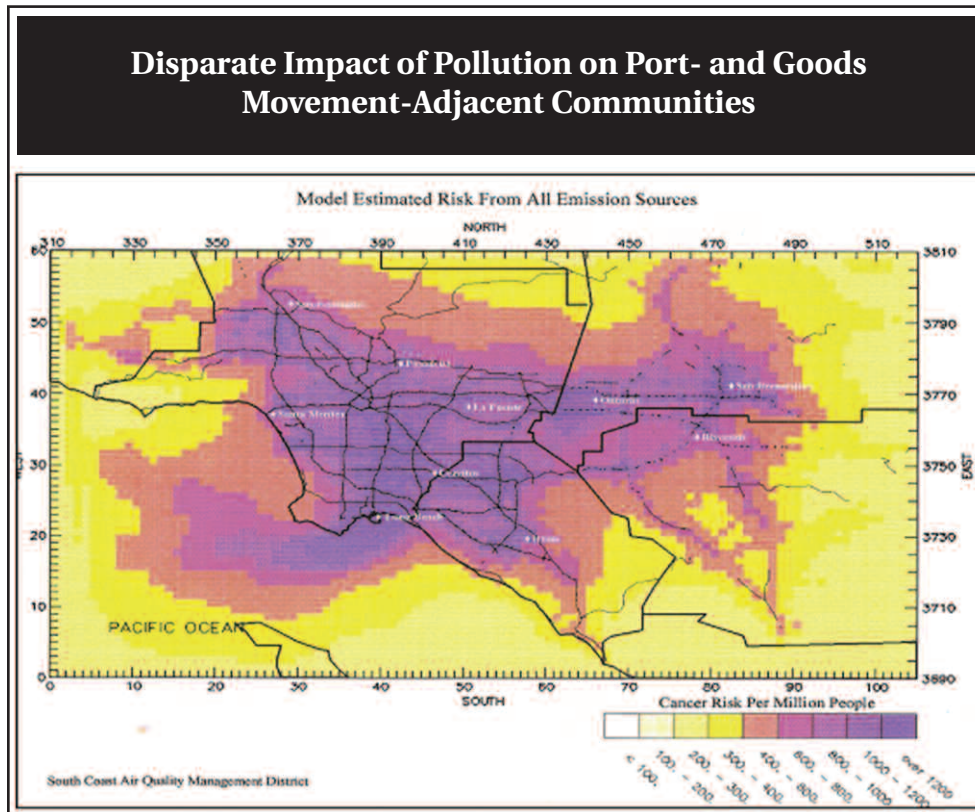
Note: Economic value in 2006 dollars.

*The financial value of the health impacts increase each year for a 5-year total of \$2.2 billion.*

emitted by all trucks. We conclude, therefore, that port trucks at the San Pedro Bay Ports account for 4.6 percent of the total health impacts detailed in the ERP.

The CTP projects “more than 80 percent” emissions reductions in the first five years of the program.<sup>63</sup> At this rate, by the end of the transition period the CTP will have achieved an annual benefit moving forward of at least \$734,684,000. If we assume a rate of twenty percent transition each year (although the CTP projects a significantly more aggressive turnover schedule), the financial value of the health impacts increase each year for a total, over the five year period, of over \$2.2 billion.

The true value of the health improvements will be measured over the long term. The incubation period for diseases like cancer, asthma and bronchitis can extend over many years, so measuring the benefits over the initial five years of a massive clean-up effort tells only a very small part of the story. This metric should therefore be regarded as significantly undervaluing the benefit of the CTP. For an account of the cumulative benefit of the reduction in health impacts over a ten-year timeframe, see Appendix B.



*Those communities most at risk for negative health effects due to diesel-related pollution are those near the Ports and along goods movement corridors.*

These improvements in health outcomes will be felt most significantly in those communities that have been suffering the most from the Ports' current pollution. As can be seen in the nearby map, those communities most at risk for negative health effects due to diesel-related pollution are exactly those communities near the Ports, and those communities along associated goods movement corridors.<sup>64</sup>

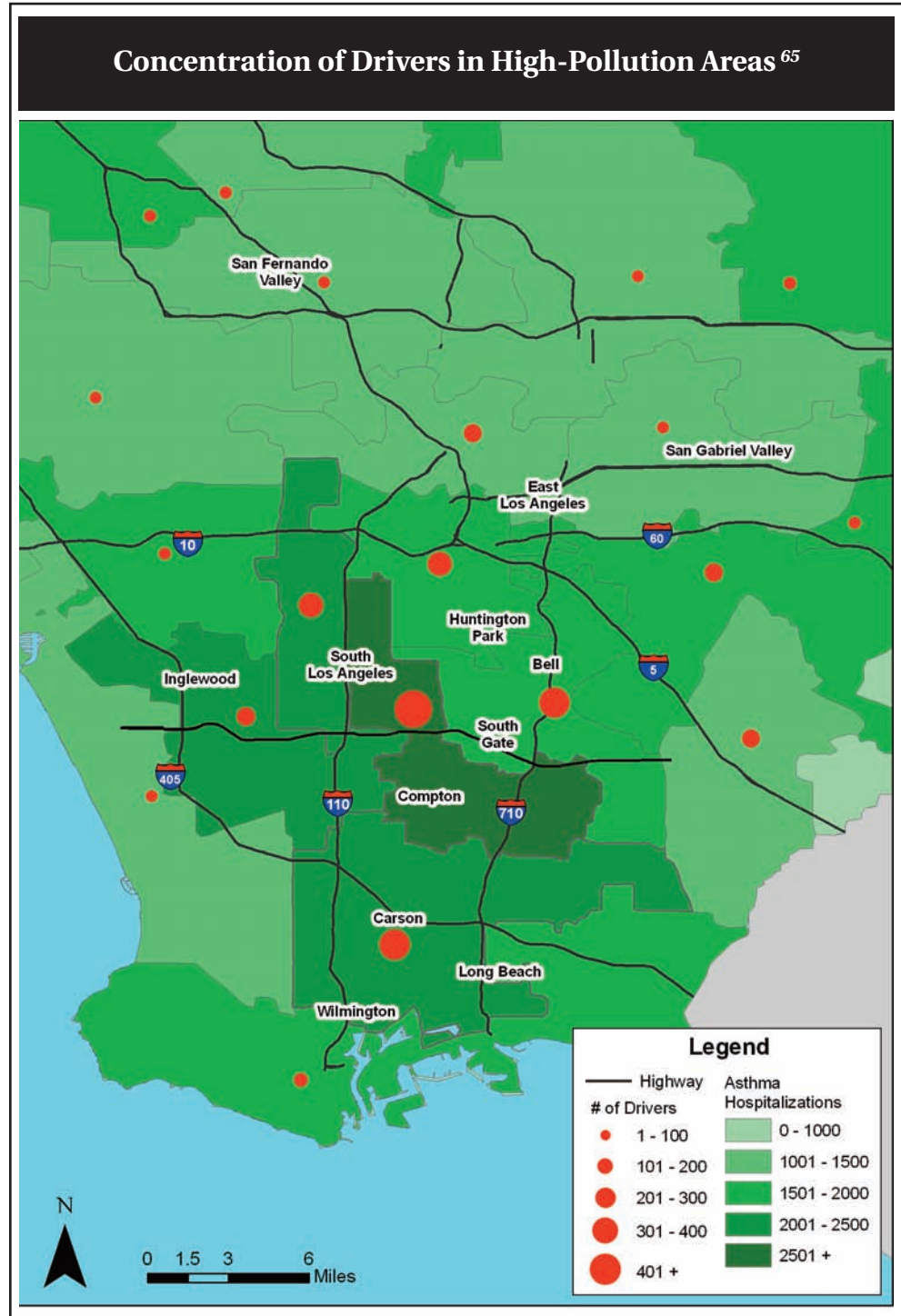
## Drivers Feel the Brunt

Drivers themselves have suffered disproportionately from the emissions of their trucks. For one, drivers spend all day in and around their trucks, in long queues of trucks waiting at the Ports, and in convoys of trucks along freeways. Drivers have occupational exposure rates to these toxic emissions significantly higher than other workers. At the end of the day, however, drivers get no respite: they go home to communities that are also heavily impacted by truck emissions.

The nearby map shows asthma hospitalizations by assembly district in Los Angeles County. (Asthma hospitalizations are a reasonable measurement for how heavily impacted a given area is by diesel pollutants.) Drivers are heavily concentrated in those districts most plagued by asthma hospitalizations.

Drivers have every reason to want cleaner air and lower-emitting trucks. While the communities suffer terrible health impacts from port trucks, it is the drivers who suffer more than anyone. Simply put, the CTP will save drivers' lives.

*The CTP will  
save drivers'  
lives.*



Note: Each shaded area and corresponding dot indicate an assembly district.

## VI: Other Benefits of the Clean Trucks Program

We have thus far calculated over \$4.2 billion in benefits that will flow to the drivers, the communities and taxpayers based on the implementation of the CTP. These precisely quantifiable benefits are only one part of the picture. There are numerous additional benefits to the entire industry and its key stakeholders, both direct and indirect, that would result from the Ports' passage of the CTP.

### Benefits to Industry

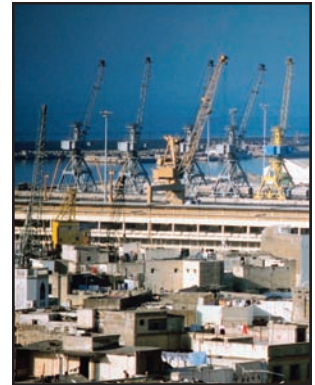
#### Port growth

Projections are that the volume of container traffic through the San Pedro Bay Ports will triple over the next twenty years.<sup>66</sup> Port growth, however, has been hampered in recent years by community opposition and has struggled to keep pace with trade growth.<sup>67</sup> Port officials now claim that much-needed growth cannot happen absent environmental mitigation measures. As Long Beach Harbor Commissioner James Hankla stated, "the only way for us to grow business at the Port of Long Beach is if we grow green together."<sup>68</sup> Similarly, Los Angeles Harbor Commission President David Freeman has stated that "we're not going to grow unless we grow green."<sup>69</sup> Indeed, the Ports' CAAP is premised on "the Ports' recogni[tion] that their ability to accommodate the projected growth in trade will depend upon their ability to address adverse environmental impacts (and, in particular, air quality impacts) that result from such trade."<sup>70</sup> As these officials have noted, failure to pass a CTP would put in jeopardy many, if not all, of the 84 development projects currently planned for the Ports area.<sup>71</sup>

Port growth is important to the region's economic strength and stability. In 2005, total trade through the Ports exceeded \$250 billion, resulting state and local taxes were \$28.1 billion, and there were 3.3 million associated jobs.<sup>72</sup> Importantly, tax revenue and job growth outpaced growth in trade: from 2000-2005, trade increased 31 percent, but tax revenue increased 71 percent and job growth increased 65 percent.<sup>73</sup> The exact value of the projected growth is not known, but a continuing rise in trade will likely result in additional billions in tax revenue and potentially millions more jobs.

#### Operational Improvements

Much of the instability associated with the port trucking sector is caused by the highly fragmented nature of the industry, with over 1,400 trucking companies operating at the Ports.<sup>74</sup> With an average of only 12 drivers in each company and low capitalization, efficiencies of scale are nearly impossible. The inability to coordinate between and among this number of trucking companies (as well as the shipping lines and terminal operators) has prevented the implementation of vital system-wide technological and operational improvements. Such advances could improve velocity and throughput of containers at the Ports. A forthcoming study from the University of Washington concludes that the CTP will result in reduced gate times, improved levels of planning between port trucks and terminal operators, and increased use of technology.<sup>75</sup> With the port approaching the limits of its landside space, terminal operators must focus on growth without adding acres.<sup>76</sup> The CTP is one of the most promising ways to do that.



*There are numerous additional benefits to the entire industry and its key stakeholders, both direct and indirect, that would result from the Ports' passage of the CTP.*

*By implementing the CTP and recognizing employee status for drivers, the Ports will allow drivers to exercise their legal rights and reduce the likelihood of unplanned and uncontrolled wildcat strikes.*

### **Reduced driver turnover**

Turnover among port drivers is quite high. Data from the American Trucking Association (ATA) indicate that turnover among truckload companies is over 100 percent.<sup>76</sup> The ATA does not track turnover among port truck drivers, but indications are that turnover figures would be at least as high. One national port trucking firm estimates that port driver turnover was over 136 percent in 2005, citing disrespectful treatment, delays, congestion, low pay and language barriers as causes.<sup>78</sup> Studies have shown that as improvements are made in wages, benefits and working conditions, worker turnover declines.<sup>79</sup> And reduced turnover leads to additional improved efficiencies and cost savings, as workers with seniority have a deeper understanding of how the system works and how to navigate it. The CTP is expected to lead to improved conditions for drivers, and should therefore lead to lower turnover and lower associated costs to industry.

### **Reduced labor unrest**

Port drivers at the San Pedro Bay Ports have engaged in dozens of instances of work stoppages in the past twenty years, mostly over the issue of the independent contractor classification. The Ports saw major job actions by drivers in 1988, 1993, 1996, 2004 and 2006. All of these caused significant disruption to port operations.<sup>80</sup> In some other instances, port truckers have taken cargo and then parked their trucks, refusing to deliver it.<sup>81</sup> In numerous other instances, protests and work stoppages lasted several hours or a few days. This chronic labor unrest has persisted largely because the underlying conditions — a lack of respect, low pay, long hours, and the independent contractor classification — have never been addressed. There is no estimate of the cost of these disruptions, but when the Ports were shut down during the 2002 lockout of ILWU dockworkers, the U.S. economy was said to have lost over \$1 billion per day.<sup>82</sup> By implementing the CTP and recognizing employee status for drivers, the Ports will allow drivers to exercise their legal rights and reduce the likelihood of unplanned and uncontrolled wildcat strikes.

## **Benefits to the Community**

The CTP will improve the conditions of trucks and will improve pay and working conditions for port drivers. Many studies have linked these sorts of benefits with additional, secondary benefits. Because these benefits are secondary, we have not included them in the overall calculus of economic benefits, though many of them are quantifiable. These likely correlations between the CTP and the following secondary benefits are not guaranteed and we put them forward with a degree of caution. Nevertheless, based on a significant body of research we believe it is reasonable to conclude that the CTP will be associated with the following significant community benefits.

### **Improved road quality**

Overweight port trucks have the potential to do significant damage to our local freeways and surface streets. Road safety advocates have estimated that a single 80,000 pound truck can do as much damage to roads as nearly 10,000 cars.<sup>83</sup> Damaged roads are a cost to taxpayers, an annoyance to motorists and a source of further damage to passenger vehicles. Overweight port trucks appear to be very common. There are no reliable statistics for the San Pedro Bay Ports, but in one series of random inspections at the Port of Miami, inspectors found that over 40 percent of all trucks were overweight, and that some weeks the figure climbed as high as 70 percent.<sup>84</sup> By setting standards and holding trucking companies accountable, the CTP has the potential to address the problem of overweight trucks, saving significant taxpayer money and motorist headaches.

## Improved road safety

Not only do overweight trucks damage roads, they are also significant road hazards. Overweight trucks require increasing stopping distance and increase the risk of tire blowouts and trucks tipping over.<sup>85</sup> The chassis used by drivers are also a source of road hazards. Data indicate that unsafe chassis are also quite common, with 50 percent of drivers reporting that they had been given a chassis that was not roadworthy in the month prior to the survey.<sup>86</sup> Road safety will be improved not only through Port oversight of truck weight and chassis conditions, but through employee status.<sup>87</sup> As independent contractors, drivers are under constant pressure to make “just one more turn” (delivery). Indeed, surveys show that a significant percentage of drivers regularly violate federal hours of service rules.<sup>88</sup> Spending such a large amount of time on the roads increases the likelihood of an accident through driver fatigue. When trucking companies hire drivers as employees who are covered by overtime laws, they will be less likely to violate hours of service regulations.

## Improved school performance

Research measuring educational outcomes has identified many factors that have important impacts on educational success. Two important factors are parental involvement and good health. An analysis of the academic literature by a professor at Cal State Long Beach indicates that for numerous outcome measures (e.g., grades, standardized scores, teacher ratings), parental involvement is a significant contributor.<sup>89</sup> Unfortunately, for port truck drivers there is little opportunity to be involved with their children's education when they are working an average 13.25 hours a day.<sup>90</sup> By improving the conditions for drivers through the CTP, parents will have the opportunity to spend more time with their children, which may translate into improved academic performance.

Health measures and academic performance are also linked. Studies have shown that good health is associated with academic achievement in many areas, including enrollment at a younger age, less grade repetition, less absenteeism, more grades completed and better performance on test scores.<sup>91</sup> In particular, students with asthma may be at higher risk for poor performance.<sup>92</sup> Absent the CTP, therefore, students across Southern California are not performing as well as they might. This impact is especially severe for the drivers' children themselves. As we have seen, drivers and their families tend to live in areas most impacted by port-related pollution. It is therefore a reasonable assumption that the children of the drivers suffer disproportionately from the health impacts of pollution. By improving the health of these children, the CTP will also allow these children to perform better in school and set the stage for further achievement.

## Lower crime rates

While crime is a complicated and multifaceted problem, it is established that there is a significant link between poverty and crime. One study, for instance, found that a ten percent increase in the minimum wage led to a decrease in robberies of about 3.5 percent.<sup>93</sup> By improving economic conditions for about 15,000 drivers and the communities in which they live, the CTP will play an indirect role in lowering crime rates.

Parental involvement in the lives of their children is also significantly associated with risk reduction. Studies have shown that when parents are more involved in the lives of their children, the likelihood of the children joining gangs is diminished.<sup>94</sup> Violence in general, and gang violence in particular, is pervasive throughout California.<sup>95</sup> As discussed above, the CTP will allow drivers to spend more time with their families. The CTP will therefore directly touch the lives of over 34,000 children, reducing the likelihood of their falling victim to gang involvement.

*By improving the health of these children, the CTP will also allow these children to perform better in school and set the stage for further achievement.*

*There are numerous additional benefits associated with emissions reductions, including improved visibility, increased crop yields, reduced materials expenditures and traffic congestion relief.*

### **Higher property values**

As one local real estate agent told a newsmagazine, “air quality is one of the most significant factors that determine property values in Los Angeles.”<sup>96</sup> It is well known that properties near the Ports and along associated goods movement corridors suffer some of the worst impacts of Ports-related pollution. Not only is this measured in terms of health impacts, but also in terms of the damage that the emissions cause to properties every day (e.g., soot collecting on windowsills, faded paint, etc.). One study of residents of Bogota, Colombia found a clear relationship between air pollution and property values: according to a valuation by residents, a one percent reduction in emission levels was worth an additional 0.127 percent on the value of a home.<sup>97</sup> With the median home price in Los Angeles County at \$547,000, this translates to a property value increase on the average home (for a similar one percent emission reduction) equal to nearly \$700.

Another significant negative impact on property values is noise. A 1996 study from UC Davis found that traffic noise in the United States reduced property values by about \$5 billion. It estimated that in Los Angeles County alone, more than 388,000 homes are close enough to freeways to lose value due to traffic noise.<sup>98</sup> Trucks that are better-maintained are less likely to generate excess noise.<sup>99</sup> By requiring trucking companies to better maintain the trucks, the CTP will be adding additional value to homes near freeways.

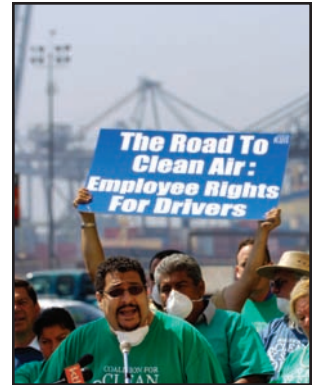
There are numerous additional benefits associated with emissions reductions, including improved visibility, increased crop yields, reduced materials expenditures and traffic congestion relief. The South Coast Air Quality Management District has calculated that the agency’s Air Quality Management Plan will show benefits for these four categories totaling over \$4.8 billion annually.<sup>100</sup>

## VII. Conclusion

The Clean Trucks Program of the San Pedro Bay Ports will yield significant benefits to taxpayers, to local communities, and to the port truck drivers themselves. Over \$360 million annually — \$1.8 billion over the initial five year life of the program — will flow back to the families and communities most in need of assistance. We project additional savings to taxpayers of \$45 million annually — \$225 million over the initial five years — by reducing the drain on publicly-financed health care provisions for the uninsured. An additional \$2.2 billion will be saved in terms of the health impacts of port truck-related pollution. More important, the stage will be set for future long-term reductions in health impacts, such that the financial benefit of reducing emissions will have a further multiplier effect.

There are numerous additional benefits of the CTP beyond what has been quantified in this report. By dealing with one of the most significant sources of emissions, the Ports will finally be able to grow to meet projected demand, and by stabilizing the port trucking system, greater efficiencies and system-wide operational improvements will become possible. Improved conditions for drivers will reduce turnover and labor unrest, problems that have persisted in the industry for decades. The community will see improved road safety and taxpayers will spend less money repairing and maintaining the roads. Neighborhoods will become more livable, as we expect the CTP to have an impact on school performance, crime rates and property values. Many of these benefits will be felt region-wide. In many cases, however, these benefits will flow to where they are most needed: the communities suffering disproportionately from port truck-related pollution, and the families of drivers operating under the independent contractor system.

Besides being cost-effective, the CTP also achieves some measure of justice for a large group of workers currently caught in a pernicious double bind. When the CTP is passed and implemented, the approximately 15,000 drivers currently classified as independent contractors would have a chance, for the first time in a generation, to improve their working and living conditions. These drivers have been unable to afford basic health care, and as a group they may qualify for \$134 million annually in taxpayer-financed subsidies and anti-poverty programs. They have also been denied the tools and the rights that would allow them to improve their own working conditions. The CTP grants this critical group of workers a chance to join the middle class.



*The Clean Trucks Program will yield nearly \$553 million in benefits each year to the region.*

## Appendix A:

### Annual Additional Revenue to Local Communities from Clean Trucks Program

City	Revenue	City	Revenue
<b>Los Angeles</b>	<b>\$127,914,512</b>	<b>Bell</b>	<b>\$4,571,240</b>
Council District 1	\$9,728,709	<b>Paramount</b>	<b>\$4,571,240</b>
Council District 2	\$3,002,688	<b>Bellflower</b>	<b>\$4,090,056</b>
Council District 3	\$1,801,613	<b>Hawthorne</b>	<b>\$3,769,268</b>
Council District 4	\$4,083,656	<b>Maywood</b>	<b>\$3,769,268</b>
Council District 5	\$360,323	<b>La Puente</b>	<b>\$3,608,873</b>
Council District 6	\$5,765,161	<b>Cudahy \$</b>	<b>\$3,368,282</b>
Council District 7	\$2,762,473	<b>El Monte</b>	<b>\$3,368,282</b>
Council District 8	\$21,979,677	<b>Pico Rivera</b>	<b>\$2,726,704</b>
Council District 9	\$23,420,967	<b>Torrance</b>	<b>\$2,646,507</b>
Council District 10	\$7,446,666	<b>Pomona</b>	<b>\$2,566,310</b>
Council District 11	\$1,201,075	<b>Palmdale</b>	<b>\$2,405,916</b>
Council District 12	\$1,201,075	<b>Baldwin Park</b>	<b>\$2,245,521</b>
Council District 13	\$11,650,430	<b>Montebello</b>	<b>\$1,764,338</b>
Council District 14	\$6,005,376	<b>Lakewood</b>	<b>\$1,283,155</b>
Council District 15	\$27,504,623	<b>La Mirada</b>	<b>\$1,202,958</b>
<b>Long Beach</b>	<b>\$30,795,719</b>	<b>Lawndale</b>	<b>\$1,202,958</b>
Council District 1	\$4,523,121	<b>West Covina</b>	<b>\$1,202,958</b>
Council District 2	\$1,251,076	<b>Lancaster</b>	<b>\$1,122,761</b>
Council District 3	\$0	<b>Commerce</b>	<b>\$1,042,563</b>
Council District 4	\$1,443,549	<b>Glendale</b>	<b>\$962,366</b>
Council District 5	\$577,420	<b>Rosemead</b>	<b>\$962,366</b>
Council District 6	\$5,870,434	<b>Hawaiian Gardens</b>	<b>\$882,169</b>
Council District 7	\$3,849,465	<b>Hacienda Heights</b>	<b>\$721,775</b>
Council District 8	\$6,832,800	<b>Alhambra</b>	<b>\$641,577</b>
Council District 9	\$6,447,854	<b>Burbank</b>	<b>\$641,577</b>
<b>Compton</b>	<b>\$13,793,916</b>	<b>Pasadena</b>	<b>\$641,577</b>
<b>South Gate</b>	<b>\$10,104,845</b>	<b>Covina</b>	<b>\$561,380</b>
<b>Lynwood</b>	<b>\$7,859,324</b>	<b>Culver City</b>	<b>\$561,380</b>
<b>Carson</b>	<b>\$7,297,944</b>	<b>Lomita</b>	<b>\$561,380</b>
<b>Huntington Park</b>	<b>\$7,057,352</b>	<b>Rowland Heights</b>	<b>\$561,380</b>
<b>Downey</b>	<b>\$6,495,972</b>	<b>South El Monte</b>	<b>\$561,380</b>
<b>Gardena</b>	<b>\$5,694,000</b>	<b>Altadena</b>	<b>\$481,183</b>
<b>Inglewood</b>	<b>\$5,613,803</b>	<b>Santa Fe Springs</b>	<b>\$481,183</b>
<b>Whittier</b>	<b>\$5,293,014</b>	<b>Monterrey Park</b>	<b>\$400,986</b>
<b>Bell Gardens</b>	<b>\$5,132,620</b>	<b>Asuza</b>	<b>\$320,789</b>
<b>Norwalk</b>	<b>\$4,892,028</b>	<b>Montclair</b>	<b>\$320,789</b>

Economic benefit to various Southern California communities in terms of increased driver income, driver dollars saved through a shared payroll tax burden, and the multiplier, as described in Section III. Revenue presented in proportion to driver distribution (based on a survey of 4,500 driver addresses) on a total economic benefit of \$360,887,337 as discussed in Section III above. Data presented on the top 50 cities, accounting for 83 percent of the \$360 million.

## Appendix B:

### Increases Over Time in Benefits From Clean Trucks Program

Year	Benefit			
	Increased Employee Income	Health Care Savings	Reduced Health Impacts	Total
Year One	\$360.9	\$45.0	\$146.9	\$552.8
Total to Date	\$360.9	\$45.0	\$146.9	\$552.8
Year Two	\$360.9	\$45.0	\$293.9	\$699.8
Total to Date	\$721.8	\$90.0	\$440.8	\$1,252.6
Year Three	\$360.9	\$45.0	\$440.8	\$846.7
Total to Date	\$1,082.7	\$135.0	\$881.6	\$2,099.3
Year Four	\$360.9	\$45.0	\$587.7	\$993.6
Total to Date	\$1,443.6	\$180.0	\$1,469.3	\$3,092.9
Year Five	\$360.9	\$45.0	\$734.7	\$1,140.6
Total to Date	\$1,804.5	\$225.0	\$2,204.0	\$4,233.5
Year Six	\$360.9	\$45.0	\$734.7	\$1,140.6
Total to Date	\$2,165.4	\$270.0	\$2,938.7	\$5,374.1
Year Seven	\$360.9	\$45.0	\$734.7	\$1,140.6
Total to Date	\$2,526.3	\$315.0	\$3,673.4	\$6,514.7
Year Eight	\$360.9	\$45.0	\$734.7	\$1,140.6
Total to Date	\$2,887.2	\$360.0	\$4,408.1	\$7,655.3
Year Nine	\$360.9	\$45.0	\$734.7	\$1,140.6
Total to Date	\$3,248.1	\$405.0	\$5,142.8	\$8,795.9
Year Ten	\$360.9	\$45.0	\$734.7	\$1,140.6
<b>Total to Date</b>	<b>\$3,609.0</b>	<b>\$450.0</b>	<b>\$5,877.5</b>	<b>\$9,936.5</b>

Notes: All dollar amounts in millions of 2007 dollars, except for health impacts, shown in millions of 2006 dollars (per recommendation of ARB staff). Increased employee income includes benefit from increased direct revenue to drivers, increased revenue due to shifted tax burden, and appropriate multiplier. Health care savings are projected to range between \$29.6 million annually and \$67.9 million annually; see Section IV in the report for a detailed discussion regarding the use of the \$45 million figure. Health impact numbers assume no further reduction in emissions beyond year five, despite likely continued technological advances and changing federal standards.

# Endnotes

- <sup>1</sup> See, e.g., Paul Samuelson and William Nordhaus, *Economics (Fifteenth Edition)*, McGraw Hill, 1995.
- <sup>2</sup> See, for instance, California Air Resources Board, Emission Reduction Plan for Ports and Goods Movement in California, 2006 ("CARB ERP").
- <sup>3</sup> There is no consensus on the number of drivers working at the Ports. The assumption of 16,800 is based on the estimate of the number of frequent and semi-frequent trucks calling at the Ports. (San Pedro Bay Ports, Final 2006 Clean Air Action Plan Technical Report. ("CAAP"))
- <sup>4</sup> CARB ERP.
- <sup>5</sup> See, e.g., Weissman et al., "Delayed access to health care," *Annals of Internal Medicine*, 1991; Aday et al., *Health Care in the U.S.: Equitable for Whom?*, 1980; E. Richard Brown, "Access to health insurance in the United States," *Medical Care Research and Review*, 1989.
- <sup>6</sup> See, for instance, Michael Belzer, *Sweatshops on Wheels*, Oxford University Press, 2000 and Edna Bonacich and Jake Wilson, *Getting the Goods*, Cornell University Press, forthcoming. Much of the following account draws from these works.
- <sup>7</sup> Michael Belzer, *Paying the Toll: Economic Deregulation of the Trucking Industry*, Economic Policy Institute, 1994.
- <sup>8</sup> Kristen Monaco and Lisa Grobar, "Study of Drayage at the Ports of Los Angeles and Long Beach," Department of Economics, California State University Long Beach, April 2005; Kristen Monaco, "Incentivizing truck retrofitting in port drayage: a study of drivers at the Ports of Los Angeles and Long Beach," California State University Long Beach, January 2007.
- <sup>9</sup> Respectively from "Watching the Waterfront," *The New Yorker*, 6/19/06; "The Green Connection," *Pacific Shipper*, 7/13/06; "Red Alert," *Journal of Commerce*, 6/26/06.
- <sup>10</sup> Monaco and Grobar (2005), Monaco (2007). (No survey asked questions regarding the legal status of drivers.)
- <sup>11</sup> Gateway Cities (2007) identified 1,555 IOO drivers out of 1,602 drivers identified overall, or 97 percent. Monaco and Grobar (2005) found 87 percent of drivers self-identified as independent contractors. Monaco (2007) reports 79 percent.
- <sup>12</sup> "L.A. area leads in employers that aren't," *Los Angeles Times*, July 27, 2006.
- <sup>13</sup> "L.A. area leads in employers that aren't," *Los Angeles Times*, July 27, 2006.
- <sup>14</sup> "A Survey of Drayage Drivers Serving the San Pedro Bay Ports," CGR Management Consultants LLC, prepared for the Gateway Cities Council of Governments, March 26, 2007.
- <sup>15</sup> Monaco and Grobar (2005); Monaco (2007).
- <sup>16</sup> Monaco and Grobar (2005).
- <sup>17</sup> The arithmetic mean is distinct from the median, which is the more common figure for discussing income. Gateway Cities does not provide a comparison of median incomes between employee and independent contractor drivers, and thus the comparison among mean income is used to determine the differential.
- <sup>18</sup> The driver in this instance is assumed to be male, as 99.3 percent of drivers are male. 79 percent of drivers are married, and drivers have an average of 2.31 children. (Monaco and Grobar (2005), Monaco (2007))
- <sup>19</sup> This does not include eligibility for Medi-Cal and Healthy Families, which will be discussed in Section IV below.
- <sup>20</sup> Based on 40.6 percent differential from Gateway Cities (2007). More on this in Section III below.
- <sup>21</sup> All data from appropriate federal or state programs' eligibility guidelines and associated benefits documentation. This does not include possible benefits from the child care tax credit.
- <sup>22</sup> "Officials identify trucker who died in port accident," *Daily Breeze*, November 7, 2006.
- <sup>23</sup> Note that even these greatly increased earnings are still below the average annual earnings for Los Angeles County for the transportation and warehousing sector (\$42,154 in 2005 dollars). (Los Angeles County Economic Development Corporation, *L.A. Stats*, July 2007, Table C-14.)
- <sup>24</sup> Indeed, the earnings differential for the average American union worker is 30 percent over her non-union counterpart. For Latino workers, the differential grows to 46 percent. ("The Union Difference," AFL-CIO, 2007, based on data from the U.S. Department of Labor, Bureau of Labor Statistics.) Within the trucking industry, the union differential is 29 percent. (Based on wages and benefits in the LTL (less-than-truckload) sector, Personal Communication, Michael Conyngham, Assistant Director, Department of Economics and Contracts, International Brotherhood of Teamsters, August 17, 2007.)

<sup>25</sup> As we have seen in Section II above, there are numerous (non-FICA) taxes — such as unemployment, disability and workers' compensation — that are paid on employees but not on (or by) independent contractors.

<sup>26</sup> Note that this does not take into account various additional tax deductions that may be available to either independent contractor drivers or employee drivers.

<sup>27</sup> Driver data from port driver survey (2007); high poverty area defined as median income below 200 percent of the federal poverty level for a family of four (data from 2000 Census); map prepared using ESRI TIGER.

<sup>28</sup> See, for instance, U.S. Department of Labor's Bureau of Labor Statistics, *Consumer Expenditures in 2005*, February 2007.

<sup>29</sup> David Johnson et al., "Household Expenditure and the Income Tax Rebates of 2001," NBER working paper, 2004.

<sup>30</sup> Multiplier of 1.914208 (based on households in LA County in income group \$25,000-\$35,000) selected over the multiplier of 1.918636 (income group \$35,000-\$50,000). Multiplier compiled by the Economic Roundtable using IMPLAN's input-output system and data for Los Angeles County, derived from 2004 national annual input-output data and 2004 Regional Economic Information System data for Los Angeles County from the Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>31</sup> On top of this, the model predicts \$258,089 in new tax revenue and more than a dozen new jobs created.

<sup>32</sup> Cover the Uninsured, California State Profile, <http://covertheuninsured.org/states/?StateID=CA>, data from U.S. Census Bureau.

<sup>33</sup> 2005 California Health Interview Survey, UCLA Center for Health Policy Research ("2005 CHIS"). Non-elderly population ages 0 - 64; non-elderly adult population ages 19 - 64.

<sup>34</sup> The State of Health Insurance in California, UCLA Center for Health Policy Research, July 2007 ("SHIC").

<sup>35</sup> Health Insurance Coverage in America 2005 Data Update, Kaiser Commission on Medicaid and the Uninsured, May 2007 ("HICA").

<sup>36</sup> HICA, Kaiser Commission.

<sup>37</sup> SHIC, UCLA; HICA, Kaiser Commission.

<sup>38</sup> For instance, 20 percent of the uninsured (compared to 3 percent of those with coverage) report regular reliance on emergency room care. (See *Access to Care for the Uninsured*, Kaiser Commission, September 2003.)

<sup>39</sup> Gerald F. Kominski, Dylan H. Roby and Jennifer R. Kincheloe, *Cost of Insuring California's Uninsured*, UCLA Health Policy Brief, May 2005. Data for direct spending adjusted to remove out of pocket spending (53 percent for adults, 26 percent for children).

<sup>40</sup> Kaiser Commission, *State Medicaid Fact Sheet*, 2005. Data adjusted by CPI-U Medical index for California.

<sup>41</sup> KFF Statehealthfacts.org. 2006 data adjusted by CPI-U Medical index for California to estimate 2007 spending <http://www.statehealthfacts.org/comparetable.jsp?ind=235&cat=4>.

<sup>42</sup> The actual number is the subject of controversy. For the high end estimate, see Peter Harbage and Len M. Nichols, PhD, "A Premium Price: the Hidden Costs All Californians Pay in Our Fragmented Health Care System" *New America Foundation Health Policy Program Issue Brief #3*, December 2006.

<sup>43</sup> Monaco and Grobar (2005).

<sup>44</sup> SHIC, UCLA; HICA, Kaiser Commission; 2005 CHIS, UCLA; Monaco and Grobar (2005). "Other" includes coverage provided through a mix of other types, or when source of coverage is unknown.

<sup>45</sup> This is a conservative assumption: some level of Medi-Cal enrollment would increase the estimate of public spending. However, given the high threshold for male eligibility for Medi-Cal and anecdotal evidence that drivers have difficulty enrolling their families in public assistance due to confusion regarding the definition of "gross income," it is appropriate.

<sup>46</sup> Monaco (2007).

<sup>47</sup> 90 percent vs. 42.1 percent. (Monaco and Grobar (2005), 2005 CHIS.)

<sup>48</sup> 2005 CHIS. 23.4 percent of Latina women reported no health insurance for the previous 12 months, and another 14.5 percent for part of the year. We estimated the number of months of uninsurance for the part-year uninsured by taking the midpoint of the chronological striations [i.e. for women who reported no insurance for 1-3 months, we assume 2 months, for those reporting 4-6, we assume 5 months, etc.] and then aggregated to yield an estimate of full year uninsurance. This likely understates the level of uninsurance among driver families. The extreme rate of driver uninsurance suggests that few spouses have employer sponsored coverage. There is significant anecdotal

evidence that Medi-Cal and Healthy Families enrollment procedures may tend to screen out families who are in fact eligible, due to confusion around the definition of “gross income” for independent contractors. Given that 60.1 percent of Latino children in LA County are covered by Medi-Cal, Healthy Families, or other public insurance, anything that threatens access to these programs raises the possibility that children will not be covered.

<sup>49</sup> 2005 CHIS. 22.1 percent of Latina women age 18-64 in Los Angeles County enrolled in Medi-Cal and 50.7 percent of Latino children age 0-18. 7.6 percent of Latino children age 0-17 in the county are covered by Healthy Families. Assumes all are full-year enrolled.

<sup>50</sup> See especially, Jack Hadley, “Sicker and Poorer – The Consequences of Being Uninsured,” *MCR*, 2003, 60(2): 3-76, and Institute of Medicine Issue Brief: *Care Without Coverage: Too Little, Too Late*, May 2002.

<sup>51</sup> Institute of Medicine Issue Brief: *Care Without Coverage: Too Little, Too Late*, May 2002.

<sup>52</sup> Estimating the Cost of Caring for California’s Uninsured, UCLA Center for Health Policy Research, May 2004.

<sup>53</sup> California Health Care Foundation, California Health Benefits Survey 2006. 94 percent of companies with 50-199 employees offer health insurance and 86 percent of workers take it up. Assumes that 50 percent of drivers will take single coverage and 50 percent will take family (Kaiser Family Foundation/HRET Employer Health Benefits Survey 2006, equally apportioning spousal coverage to single and family). The ports would have to issue 322 concessions to raise the average firm size to 50.

<sup>54</sup> Gateway Cities (2007). This question was asked only of trucking companies, not of drivers themselves.

<sup>55</sup> Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2007.

<sup>56</sup> BLS, National Compensation Survey, March 2007. Unionized workers are much more likely to be offered vision, dental and short term disability coverage.

<sup>57</sup> South Coast Air Quality Management District, 2007 Draft Air Quality Management Plan.

<sup>58</sup> 9,000 premature deaths from being out of attainment with California PM and ozone standards. Compared with 5,800 for second-hand smoke, 3,200 for car crashes and 2,000 homicides. (CARB ERP)

<sup>59</sup> See, e.g., CAAP Technical Report; Natural Resources Defense Council, Harboring Pollution, August 2004.

<sup>60</sup> See, e.g., Garshick et al., 2004 (concerning elevated rates of lung cancer among transportation workers); Gauderman et al., 2007 (proximity to freeways negatively impacts children’s lung development); Zhu et al., 2002 (communities adjacent to freeways particularly impacted); Mack, 2004 (residents near ports have higher rates of certain cancers); Gauderman et al., 2004 (pollutants reduce lung functioning); Jerrett et al., 2005 (pollutants raise rates of cardiovascular disease and death); Meng et al., 2006 (proximity to traffic increases asthma severity); and Gong et al., 2007 (pollution compounds negative impact of cholesterol).

<sup>61</sup> CARB is currently working on an emissions inventory specifically focused on port trucks. The inventory was not concluded in time for inclusion in this report. CARB staff indicated that the methodology used herein is a sound approximation while the port truck inventory is pending.

<sup>62</sup> Economic Value in 2006 dollars, adjusted using Consumer Price Index (CPI). All data from CARB ERP. Numbers may not add up exactly due to rounding.

<sup>63</sup> San Pedro Bay Ports, “Ports propose clean trucks program,” Press Release, April 12, 2007.

<sup>64</sup> South Coast Air Quality Management District, Multiple Air Toxics Exposure Study in the South Coast Air Basin, March 2000 (“MATES II”).

<sup>65</sup> Driver data from port driver survey (2007); asthma hospitalizations (1998-2000) from the California Office of Statewide Health Planning and Development; map prepared using ESRI TIGER.

<sup>66</sup> See, e.g., “Landside logjam,” *Journal of Commerce*, February 28, 2005.

<sup>67</sup> Most significant was the China Shipping lawsuit, filed in 2001 by environmental and community groups.

<sup>68</sup> “It’s not easy bein’ green,” Speech by James Hankla at the World Shipping Summit, November 3, 2006.

<sup>69</sup> “L.A. city council throws support behind port treaty,” *Copley News Service*, February 6, 2006.

<sup>70</sup> CAAP Overview (2006).

<sup>71</sup> TraPac Container Terminal Project draft EIS/EIR, June 2007.

<sup>72</sup> “Trade Impact Report Final Study,” BST Associates, Prepared for Port of Los Angeles, Port of Long Beach, Alameda Corridor Transportation Authority, March 2007 (“ACTA Report”).

<sup>73</sup> ACTA Report (2007).

- <sup>74</sup> California Trucking Association letter to Geraldine Knatz and Richard Steinke, June 1, 2007.
- <sup>75</sup> Anne Goodchild and Karthik Mohan, "Estimating the impact of the Clean Trucks Program on terminal operations," 2007.
- <sup>76</sup> See, e.g., "Will 2008 repeat 2002?" *Journal of Commerce*, February 12, 2007.
- <sup>77</sup> "Large truckload company driver turnover up 6 percentage points," ATA press release, June 20, 2007.
- <sup>78</sup> "Intermodal drayage 'the missing link,'" presentation by Ken Kellaway, RoadLink USA, for the Agriculture Ocean Transportation Coalition, 2006.
- <sup>79</sup> See, e.g., David Farris, "The impact of living wages on employers," *Industrial Relations*, 1995; Michael Reich, Peter Hall and Ken Jacobs, "Living Wages and Economic Performance," March 2003; Candace Howes, "Living Wages and retention of homecare workers in San Francisco," *Industrial Relations*, January 2005.
- <sup>80</sup> See, e.g., "Truckers told to avoid violence in port strike," *Los Angeles Times*, July 22, 1988; "Wildcat strike idles cargo at L.A.-area ports," *Los Angeles Times*, November 13, 1993; "Truckers slow port shipping to a crawl," *Los Angeles Times*, May 2, 1996; "California terminals hit by truckers strike," *Journal of Commerce*, April 30, 2004; "Port of L.A.-Long Beach hit by trucker strike," *Journal of Commerce*, May 1, 2006.
- <sup>81</sup> "Truckers put cargo on hold," *Los Angeles Times*, July 17, 1991; "Truckers vow to withhold cargo in labor protest," *Los Angeles Times*, August 13, 1991.
- <sup>82</sup> "West coast dockworkers go back to work," *University Wire*, October 14, 2002.
- <sup>83</sup> "Port struggles to deal with weight problem," *Miami Herald*, August 24, 2006.
- <sup>84</sup> "Port struggles to deal with weight problem," *Miami Herald*, August 24, 2006.
- <sup>85</sup> See, e.g., "Miss Florida critically injured in traffic accident," *Associated Press*, November 8, 2003.
- <sup>86</sup> Monaco and Grobar (2005).
- <sup>87</sup> In 2005, Congress passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act, which directs the Federal Motor Carrier Safety Administration, a division of the Department of Transportation, to promulgate regulations dealing with the inspection and repair of intermodal chassis. The FMCSA promulgated regulations in December 2006. (*Federal Register*, December 21, 2006, 49 CFR Parts 385, 386, et al.) While mandating certain record keeping requirements, the proposed rules continue the current practice of relying heavily on driver inspections to uncover chassis defects and hazards.
- <sup>88</sup> Gateway Cities (2007), Monaco (2007), Monaco and Grobar (2005).
- <sup>89</sup> William Jeynes, Parental involvement and student achievement: A meta-analysis, December 2005. See also, e.g., Ralph McNeal Jr., "Differential effects of parental involvement on cognitive and behavioral outcomes by socioeconomic status," *Journal of Socio-Economics*, March 2001.
- <sup>90</sup> Monaco (2007).
- <sup>91</sup> Jere Behrman, "The impact of health and nutrition on education," *World Bank Research Observer*, February 1996.
- <sup>92</sup> H. Taras and W. Potts-Datema, "Childhood asthma and student performance at school," *Journal of School Health*, October 2005.
- <sup>93</sup> Hope Corman and Naci Mocan, "Carrots, sticks and broken windows," *Economica*, November 2005.
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- <sup>100</sup> South Coast Air Quality Management District, Socioeconomic Report for 2007 AQMP. Based on impact on Los Angeles, Riverside, San Bernardino and Orange Counties.



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