

Women In Logistics April 29, 2010

California's budget deficit is \$20 billion for this year and getting larger as tax returns for April are coming in about one-third less than estimated. The non-partisan Legislative Analysts Office is projecting budget deficits of over \$20 billion each year for the next five years. We are a state that is in the midst of a massive fiscal crisis. As a result, our government is in chaos and broke. Schools are being shut down, our universities and junior colleges are reducing classes and limiting admissions. Roads and bridges are falling apart and in disrepair. All that is missing in California is an occupying force.

But as the Orchard Supply Hardware commercial states – the answers are out there. And the answers are relatively simple - but unfortunately for all of us, California politicians, at all levels of government, lack the political courage to solve our fiscal and management problems. This translates into burdening future generations with additional public debt, reduction in government services, and lost opportunities for businesses. The problems that my generation has created aren't a function of any political party or interest group. It is actually a failure of leadership – leadership on an individual basis from our public officials who sell out the next generation for the support of an important constituency group. It is a failure to look past the politics of today. As a result, the California that we are creating for our children is one that is far different from the one I was blessed to grow up in. When I was growing up, families built their quality of life with jobs that gave kids who never went to college an equal shot at the American dream. Now, there are very high end jobs for the few and many low end jobs for many, but very few jobs in the middle where my generation found prosperity.

Because of term limits and gerrymandered legislative districts, we have in place a system of governance that penalizes individuality; prohibits the development of any expertise and long range planning; and ensures a limited time horizon to solve problems that goes no further than the next election cycle. “How a bill becomes law” is more about building an individual career path than about solving complex, long term problems. There is little time for anything else. In contrast and in years past, the Legislature successfully grappled with complex issues and problems – it was an institution that fostered opportunities for California residents, corrected societal wrongs, and anticipated the needs of a growing State. The work of the Legislature in crafting legislation involved a mixture of politics and policy. It was part art, science and process. It wasn’t always pretty, but the State was able to create the basic foundations for our society to function and flourish.

We are now left with a supposed deliberative body that over the past years has spent more time debating the merits of the licensing of ferrets and penalties for texting while riding a bike than it does on solving a structural budget deficit that is choking our schools and stifling business opportunities. In short, the greatest threat to California’s historic role as the nation’s leader of ideas and prosperity is the California Legislature. Instead of debating the fundamental problems that we are mired in now, we are presenting our children with an accelerating downward spiral of limited educational and job opportunities. One looming crisis is found in the following example - in addition to the State’s \$20 billion budget deficit, on Thursday of last week, the LA Times reported that a pension consultant testified before the Little Hoover Commission, pointing out that state and local governments have \$325 billion in unfunded public pension liabilities, which he said amounts to \$22,000 for every working adult in the Golden State.

While there are certainly exceptions to the rule, the State’s budget dilemma, infrastructure needs, high unemployment rate and

deterioration of the public school system are treated by lawmakers more as a chronic disease as opposed to one that requires a cure.

The answers are there – but the process doesn't allow for in-depth analysis or policy debate and term limits eliminates a critical element to allow for the development of expertise – time. For the most part, the legislative process has become a series of orchestrated events that limits debate with a pre-determined outcome. Picture a person that goes to the time and expense to come to Sacramento to testify on a bill and then is limited to a “me too” appearance before a Committee where you simply state your name, affiliation and whether you support or oppose. It is a limitation that is imposed out of convenience to the system but to the alienation of the individual citizen.

Absent changes, the Legislature will continue down the path that it is currently on – an entity that is not respected by the citizens of California, mired in a political and procedural morass that does not allow for substantive and meaningful policy debate.

But the Legislature is not solely to blame. Blame must also be applied to local officials, our Governor and his Administration and to the business community and labor. With regard to the Administration –let's look at air quality regulations. Once fully implemented, the State of California has pursued a set of regulations for all modes of the freight industry that has a cumulative cost impact of \$5 billion. These are the California Air Resources Board's own figures and they are costs that are specific and unique to California only and are not experienced anywhere else. These costs do not include programs imposed by local port authorities or proposed by local air quality districts. And all of these programs ensure that our industry, which moves not only between individual air districts and states but also countries, faces a patchwork quilt of requirements and regulatory balkanization.

With regard to the business and labor communities, they are experiencing the same failure in leadership as our politicians. They are incapable of looking beyond immediate short term political needs at the expense of long term prosperity. The acceptance, and at times the defense, of our current governance structure is a function of a Sacramento strategy practiced by both business and labor. This is reflected in our inability to resolve our structural deficit, to streamline our environmental review process, reform the public pension system, improve our schools or build much needed infrastructure. Solutions are less important than who wins or loses. Unfortunately, California loses in this environment.

At a local level, specifically with regards to our ports, the ports continue to be heavily influenced by the ever shifting winds of local politics. This is hampering ports from openly challenging ill founded policy and financial proposals from the cities. The most visible example is the employee mandate component of the clean truck plan in Los Angeles. Tens of millions of dollars has been spent in the development of websites, printing of flyers, mailers, full page ads in various publications, consultants, lobbyists, orchestrated demonstrations – and now legal fees to defend a political patronage system that masquerades as environmental policy. And it continues. If the ports environmental programs were solely about clean air, we would be having a far different discussion. The public debate surrounding the various port truck plans has been the most politicized process I have ever witnessed. The politics are extremely contentious, vicious, ruthless, well-orchestrated, well-funded and are now caught up in a high stakes national campaign by the Teamsters to organize port truckers. Participating in this debate has become a full contact sport in California politics – and it has now moved to courthouses in Los Angeles and the US Congress. And there are no signs it will ease up or end anytime soon. Legitimate debate surrounding the port truck program has been lost. The only people who have benefited are the lawyers and lobbyists.

The trade community needs port officials, port commissioners and elected officials to treat the goods movement industry with equal respect as partners just as they do local community and environmental groups. We are an important component of the local community. We are the economic engine that provides revenue for governmental services. The public sector requires a healthy and vibrant private sector to provide tax revenue. This cannot be over-stated and is often ignored by politicians. Until cargo volumes declined, our presence and our role was at best barely acknowledged and certainly not appreciated. Various policy, regulatory and legislative proposals created a disincentive for cargo interests to conduct business through the West Coast and did little to attract job-creating businesses to the ports – and all of this while competitive threats continued to grow in various US ports, Canada and Mexico. As cargo volumes slowly creep up, we need to avoid a reinstatement of the arrogance that cargo has nowhere else to go but through the west coast ports. Our West Coast port gateways are at a critical juncture – they have the opportunity to grow in terms of cargo volume and jobs along with continued efficiency and environmental advancements – or they may be forced down a path of political dysfunction, unnecessary costs and mediocrity.

In conclusion, the future direction for California and our public ports rests with everyone in attendance today. If you want things to change, then you need to get involved and to speak out – there are certainly plenty of opportunities and forums to do so. Absent involvement, the failure of our state is found with everyone in this room. Most of us don't vote – and those that do mindlessly reelect the same people regardless of merit. Unfortunately, the status quo will ensure mediocrity and a deterioration of our quality of life – eliminating the opportunity for our children to prosper. The answers are out there. Hopefully our political leaders have the courage to listen.