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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Mr. Lee Harrington
President
Los Angeles County Economic Development Corporation (LAEDC)**

Topic: State of the Los Angeles County Economy

February 6, 2003

Chairman Philibosian introduced Mr. Harrington and welcomed him to the meeting.

Mr. Harrington explained that as a result of a scheduling conflict on the part of Mr. Kyser, Chief Economist for LAEDC, he and Mr. Greg Freeman would be making the presentation.

Mr. Harrington introduced Greg Freeman, senior analyst at LAEDC, to present the information to the Commission

Mr. Freeman began by defining the "60 Mile Circle Region" to encompass Los Angeles, Orange, San Bernardino, Riverside, and Ventura Counties. This region has a population greater than the 4th most populated state, Florida; has a manufacturing base greater than Michigan; is the top tourist destination; and is one of the world's most important consumer markets. If this region were a country it would rank 10th in the world in terms of GNP. So in spite of the myth that this region just makes movies, the combination of the preceding elements makes for an incredibly dynamic economy. The challenge is what to do to foster growth over the next 20 yrs.

Mr. Freeman sited the trends in population and trade as the most powerful influences on the economy.

Population

The population of the region is projected to increase to the approximate size of the combined cities of Los Angeles and San Diego. This growth will come primarily from natural population increase (births minus deaths) rather than migration or immigration. The impact will be felt in the number of additional cars traveling streets and freeways and the infrastructure and services needed by this population.

Trade

Ports - International trade is expected to triple over the next 20 years based on the forecast from LA Customs District. This does not take into account NAFTA generated trade that moves by truck or rail. This growth will affect the region's ports, railroads, freeways and airports Imports account for two-thirds of Los

Angeles/Long Beach port activity. The number of containers passing through the port doubled between 1995-2000. LA/LB ports handle 65% of all West Coast container traffic and 35% of all US container traffic. The projected increase in the number of containers will be felt on area freeways as more trucks are required to move containers to rail yards for transport out of the area.

Commissioner Tortorice asked what the numbers meant in the number of ships offloaded per day.

Mr. Freeman noted that while the tonnage equated to about 30-35 ships, the real significance is the increase in the size of the ships themselves.

Railroads - Rail traffic will rise dramatically as a direct result of the increased activity at the ports. While the recently completed Alameda Corridor will handle much of the increase in on-dock rail movement, the rail traffic on the connecting feeders to the transcontinental rail network will easily surpass the capacity of the current system, this results in greater delays at rail crossings thus impacting vehicle traffic in the area.

Freeways - The answer to heavy truck traffic on the 710 Freeway is not a truck lane but a dedicated car lane. It is not only increased trade at the ports, but also domestic manufacturing and increase demand for consumer goods which accounts for the rise in number of trucks on regional freeways.

Airports/Air Cargo - LAX capacity to handle additional cargo is just about maxed out and the ability to expand is limited, but that is good news for outlying or regional airports like Ontario. As the use of these facilities grows, so will the opportunity to provide employment for the increased number of people living in the area.

Airport/Passenger Traffic - LAX is currently ranked third in the nation in airport passenger traffic, but unlike Atlanta and Chicago that serve primarily as hubs, LAX is distinguished as the number one origin/destination airport. As a result, ground access is looming as an issue that is as critical as passenger capacity. Ground access times will likely double by 2020 thus increasing delays and passenger inconvenience.

Impact of Big Trends

Quality of Life

Mobility - Traffic congestion across all modes – auto, truck, rail and ports - is near or exceeds capacity at peak periods. This not only threatens our quality of life, but also as important, our regional competitiveness.

Workforce Housing - The population of the region is growing faster than housing resulting in a miss-match between job location and housing. This will result in new commuting patterns.

Competition for land use - Where to put everything just to maintain status quo .Land reuse is a major challenge.

Environment - Air quality is vastly improved although the reputation lags by 5-10 yrs. Although water provisioning and supply present a challenge, it is manageable.

Policy Challenges & Solutions

Regional Co-ordination and Decision Making - Overlapping jurisdiction of 179 cities within the 5 county area as well as the jurisdiction of state and federal agencies does not produce the most cost effective system level solution. The Alameda Corridor serves as an excellent example of regional coordination. This was accomplished using a Joint Powers Authorities (JPA) vested with the responsibility, jurisdiction and financial wherewithal to build a single project.

Burden Sharing and Fairness - While business and individuals from Santa Barbara to San Diego enjoy the benefits of trade and travel opportunities associated with LAX, the burdens of noise, congestion and pollution are borne by the residents of the surrounding communities of Westchester, Inglewood and El Segundo. A regional airport system is a large part of the solution but how it is to be implemented is unclear. Redirecting cargo to regional airports and separating cargo from passenger flights would be options to consider.

Funding - Existing funding mechanisms will be insufficient to finance the region's transportation infrastructure needs. Making up the shortfall will require a combination of elements including user fees and creative financing alternatives. One alternative being explored is along the lines of the downtown Business Improvement District concept. Bonds fund improvements that increase property values that result in increase in property taxes. Incremental growth in customs duties could be used to invest in trade infrastructure that facilitates the growth in the first place. This would also help in making the region livable.

Efficient use of Existing Infrastructure - In spite of creative financing, there will not be adequate funds for everything that is needed in the next 20 years. Therefore, we have to make the best of what we have to work with. Why is it that 90% of the container truck traffic to and from the ports is concentrated in the peak commuting hours? Why is it that the LA/LB port is the only world port that does not operate 24 hours a day? If the industry is not able to bring about improved efficiency through a change in the business practices of terminal operators and the warehouses receiving cargo, they face legislation that would impose peak period fees and fines of terminal operators.

To get some people out of their cars some of the time will take "bribes" or inducements. These could come in the form of a more comprehensive HOV network or better use of Park-n-Ride lots. The Metropolitan Transit Authority (MTA)'s new Metro Rapid buses are beginning to change the way people view bus travel. Fewer stops, reduced wait time and travel time have increased ridership on the Wilshire-Whittier line by 27 % and the Ventura Blvd line by 33%.

Cost Effective Choices - Every purchase of transportation infrastructure must be assessed in terms of its return on investment. The proposed improvement of the I-710 will cost billions of dollars and take at least 10 years to complete. Vastly more efficient would be the construction of an intermodal rail yard adjacent to the ports thus reducing the number of trucks on the freeway while also getting cargo on the trains as soon as possible.

Attitude Adjustment - When people suggest the truck ban (although not a ban as much as a shift in scheduling and access) of the '84 Olympics as the answer to the problem, they fail to realize that increased truck traffic is not just a result of trade or manufacturing, but also to better serve lifestyle and consumer needs by delivering to the likes of Wal-Mart, Ralph's or Target.

Mr. Freeman thanked the Commission and opened for questions.

Commissioner Barcelona asked when Antelope Valley/Palmdale will see air cargo traffic.

Mr. Freeman responded that although cargo will come before passenger traffic, there are obstacles to be overcome – competition from Ontario and March, already attracting cargo from LAX; transportation to and from Palmdale during peak periods; disagreement between Los Angeles World Airport Authority (LAWAA) and the Air Force as to the meaning of the Joint Use Agreement which, among other things, precludes international flights of any kind, even though international cargo freighters are best suited for the long runways at Palmdale.

Commissioner Lucente inquired as to the relationship between LAEDC and Southern California Association of Governments (SCAG).

Mr. Freeman lauded SCAG for their work in airport data gathering/forecasting that in fact he utilized in his presentation. However they have no authority to implement any of their findings and therein lies the difficulty. SCAG recommendations can be overridden by a local jurisdiction regardless of the validity of their proposal.

Mr. Harrington suggested that the challenge for the Commission is to determine how to help the County become a regional voice in the planning and implementation process. The County has been slow to take the leadership needed for regional solutions. Instead, individual groups such as Public Works or the Sanitation District are addressing their area of interest.

Commissioner Philibosian thanked Greg Freeman and Lee Harrington for the very enlightening presentation.

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