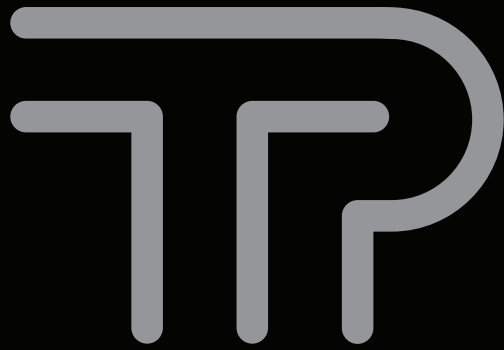




2025

CTA Annual Member Conference Report

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Letter from the Chairman

With evolving market conditions, technological advancements, and various environmental and geopolitical factors at play, the dynamic insurance industry involves continual analysis and an innovative approach. A recap from the 2025 CTA Annual Member Conference is enclosed. On behalf of all of us at Trucking Proud, I thank you for your continued trust and partnership. as we look forward to 2025 and the opportunities it presents. We appreciate the chance to work together, build relationships, and bring you peace of mind for your insurance needs.



Jamie Reid

C3 Insurance Chairman



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INSURANCE UPDATE



State of the Insurance Industry: What's Going On?

The insurance industry is facing unprecedented challenges, both in personal and commercial lines. Rising losses and increasing costs are outpacing premium adjustments, creating an unsustainable market. This issue is especially evident in property insurance, where deteriorating conditions extend beyond California to states like Florida.

Key Issues Affecting the Industry

Financial Instability

- AM Best has downgraded the industry's financial stability for the first time ever.
- Insurance losses from recent wildfires in California are estimated at \$20–\$25 billion, with total economic damages reaching \$250 billion.

Rising Costs & Limited Pricing Flexibility

- The cost of replacing structures has skyrocketed.
- California's Department of Insurance froze auto insurance rate increases for 32 months during the pandemic, leading to sudden price hikes once the freeze was lifted.

Legal System Abuses & Rising Litigation Costs

- “Nuclear verdicts” (over \$1M) have surged, partly due to jury attitudes favoring corporate punishment.
- Third-party litigation financing (often undisclosed) allows outside investors to influence lawsuits.
- Attorney advertising and inflated medical costs (via “phantom damages”) are driving up claims.

Regulatory Challenges in California

- Proposition 103 requires state approval for rate increases, causing insurers to lag behind inflation.
- The state bans the use of catastrophe models in underwriting, preventing insurers from accurately assessing risk.
- Reinsurance costs (40% of expenses) are excluded from rate calculations, making profitability difficult.

The Homeowners Insurance Crisis

- Many insurers have withdrawn from the California market due to regulatory hurdles and growing wildfire risks.
- The state's “sustainable insurance strategy” aims to improve rate filings, allow catastrophe modeling, and depopulate the FAIR Plan (the state's last-resort insurer).

What's Next?

The industry is pushing for regulatory reform to allow more accurate risk assessments and fair pricing. However, continued legal pressures and catastrophic losses will likely keep insurance costs high. The best approach for businesses and individuals is to stay informed and advocate for changes that promote market stability.

The insurance industry is in crisis, teetering on the edge of catastrophe. Rising losses, increasing costs, and regulatory constraints are driving market instability, particularly in states like California. Key factors contributing to the turmoil include:

Regulatory Barriers & Market Dysfunction

- California's Proposition 103 restricts insurance companies from adjusting rates quickly, leading to financial strain as costs outpace premiums.
- The state bans the use of catastrophe models in underwriting, preventing insurers from accurately assessing risk.
- Reinsurance costs (40% of expenses) are excluded from rate calculations, making profitability difficult.
- As insurers withdraw, the burden shifts to the underfunded Fair Plan, California's insurer of last resort, which is financially vulnerable to major disasters.

Rising Claims Costs & Catastrophic Events

- Natural disasters like wildfires (e.g., the Palisades fire) are driving up insurance losses, with some events causing tens of billions in damages.
- Replacement costs for homes and vehicles have surged due to inflation, yet insurance companies are restricted from pricing policies accordingly.
- Commercial auto insurance is especially hard-hit, with no major provider in California operating at a sustainable loss ratio.

Legal & Litigation Challenges

- Nuclear verdicts (jury awards exceeding typical insurance limits) are skyrocketing, driven by jurors inclined to punish corporations.
- Third-party litigation funding is fueling excessive claims, often backed by private equity or foreign investors, further inflating costs.
- Attorney advertising and aggressive legal strategies push more cases into court, leading to increased settlements and claim payouts.

Supply & Demand Imbalance

- Due to financial losses and regulatory hurdles, insurers are pulling out of California and other high-risk markets, creating a lack of available policies.
- This forces businesses and homeowners into the Fair Plan, which is not designed to handle the growing risk concentration.
- In commercial auto, many providers are operating at unsustainable loss ratios, leading to further market contraction.

AI & Data-Driven Underwriting

- Insurance companies are increasingly leveraging AI-driven underwriting to detect fraud, predict risk more accurately, and avoid insuring high-risk policyholders.
- AI exposes inconsistencies, such as trucking companies misreporting routes to avoid higher premiums, making it harder to manipulate the system.
- This shift is leading to more precise underwriting but also means less room for businesses to hide risk exposure

Insurance Industry in Crisis: Regulatory Failures, Rising Costs, and Market Instability

The insurance industry is facing a severe crisis, particularly in states like California, where regulatory constraints, increasing losses, and shifting market dynamics are creating instability. Without immediate reforms, the situation could escalate from crisis to catastrophe, affecting both commercial and personal insurance markets.

Regulatory Dysfunction & Market Imbalance

California's Proposition 103 makes it one of only 13 states where the insurance commissioner is elected, often resulting in career politicians with limited industry knowledge making critical regulatory decisions. The system restricts insurers from adjusting rates quickly, leading to financial strain as inflation, rising claims costs, and catastrophic losses outpace premium adjustments. Key regulatory issues include:

- Delayed rate approvals: Insurers seeking to raise rates face long waiting periods (up to two years), while requests to lower rates are approved within days.
- Withdrawal of insurers: Many companies are pulling out of California due to an inability to operate profitably, creating a severe supply and demand imbalance.
- Underfunded Fair Plan: The state's last-resort insurer is not financially equipped to handle increasing risks from wildfires and other disasters, putting further strain on the market.

Financial Struggles & Rising Costs

The industry is losing money at unsustainable levels, particularly in commercial auto insurance, where none of the top 20 providers in California had a profitable loss ratio in 2023. Insurers typically need loss ratios below 60% to remain viable, yet all are operating above that threshold. The inability to adjust pricing forces some insurers to exit the market, further constraining availability. Additionally:

- Inflation has driven up replacement costs, yet insurers are unable to adjust premiums accordingly.
- Wildfires and other disasters, such as the recent Palisades fire, are increasing the frequency and severity of claims.

Litigation & Nuclear Verdicts

The legal environment has worsened due to nuclear verdicts (jury awards exceeding traditional insurance limits) and third-party litigation funding, where private investors bankroll lawsuits for profit. This has led to:

- Higher claim settlements as insurers fear excessive jury awards.
- Increased legal costs and litigation-driven premium hikes.
- A shift in insurer behavior, where claims are settled quickly to avoid unpredictable court decisions.

AI & Data-Driven Underwriting

AI is rapidly transforming insurance underwriting, making risk assessment more accurate and eliminating loopholes for misrepresentation. For example:

- Trucking companies falsely claiming they avoid California are now being caught through AI-powered data analysis of vehicle inspections.
- Insurers can detect fraud, predict risk more precisely, and price policies more effectively, reducing underwriting inefficiencies.

Conclusion: A Market on the Brink

The insurance industry's challenges stem from overregulation, rising losses, and shifting market dynamics, which have led to an unstable system that cannot function efficiently. Without significant reforms—such as streamlining rate approvals, adjusting catastrophe risk models, and improving Fair Plan funding—insurers will continue to pull out of the market, leaving businesses and homeowners with fewer coverage options and skyrocketing costs. The situation demands immediate attention before the industry reaches an irreversible breaking point.

ACF & ACT

INDUSTRY IMPACT, LEGAL CHALLENGES AND FUTURE ROADMAPS



California has been at the forefront of implementing stringent environmental regulations, particularly concerning zero-emission vehicles (ZEVs) and the reduction of greenhouse gas emissions. Recent developments have introduced both advancements and challenges in this domain.

Withdrawal of the Advanced Clean Fleets Rule

In anticipation of potential opposition from the incoming Trump administration, the California Air Resources Board (CARB) withdrew its request for a federal waiver to enforce the Advanced Clean Fleets rule. This regulation aimed to establish timelines for transitioning commercial truck fleets to zero-emission vehicles. The withdrawal reflects concerns that the new federal administration might deny the waiver, hindering California's efforts to implement stricter emission standards.

EPA Grants for Zero-Emission Vehicles

Despite regulatory uncertainties, California secured \$135 million in grants from the Environmental Protection Agency (EPA) to fund 13 projects focused on phasing out diesel-powered trucks. These funds will facilitate the purchase of 455 zero-emission vehicles, including trucks and school buses, contributing to the state's ongoing efforts to reduce air pollution and greenhouse gas emissions.

Legal and Political Challenges

The shifting federal landscape poses challenges to California's environmental initiatives. The incoming Trump administration has signaled intentions to revoke California's authority to set its own vehicle emission standards, a move that could significantly impact the state's ZEV mandates and timelines. This potential revocation has led to legal uncertainties and necessitated strategic adjustments by state regulators and industry stakeholders.

Industry Adaptations and Infrastructure Development

The evolving regulatory environment has prompted industry stakeholders to reassess compliance strategies and infrastructure development for zero-emission trucking. The withdrawal of the Advanced Clean Fleets rule introduces uncertainties for fleets striving to meet emission reduction targets. However, ongoing investments in zero-emission vehicle infrastructure, supported by federal grants, aim to facilitate the transition to cleaner transportation options.

While California continues to lead in environmental regulation and the promotion of zero-emission vehicles, recent federal developments and political shifts present challenges that require adaptive strategies from both regulators and industry participants.

Summary

Over the past few years, increasing and sometimes conflicting regulations—such as California's Low-NOx rules and the Advanced Clean Trucks (ACT) Rule—have placed dealers in a difficult position. They must navigate uncertainties around product availability, manufacturer decisions, and evolving state-level mandates. Key challenges include:

Supply Chain and Personnel Issues

- Dealers face ongoing supply shortages, exacerbated by supply chain disruptions from COVID-19, as well as workforce shortages among truck drivers and diesel technicians.

Regulatory Pressures

- The withdrawal of California's Advanced Clean Fleets rule provided temporary relief, but there is concern that regulators will introduce new enforcement mechanisms. ACT enforcement has expanded to five states (Oregon, Washington, New Jersey, New York, Massachusetts), with more states joining in 2025.

Market Impact

- California's truck sales market shrank by 50% in 2024 due to regulatory constraints, with similar risks for other states. Dealers managed in 2023 by selling previous model-year vehicles, but that option is disappearing in 2025.

Financial Burden

- A study by ACT Research estimates that compliance costs for the industry could reach \$45 billion, likely driving up consumer prices

Federal Administration's Role

- The incoming Trump administration is expected to move swiftly on regulatory changes that could impact the industry. The speaker notes Trump's strong support for the trucking industry, presenting an opportunity for more industry-friendly policies.

Future Strategy

- Industry stakeholders must coordinate and engage strategically with regulators to ensure durable, achievable policies that align with technological advancements.

Regulatory Complexity & Uncertainty

- Multiple overlapping regulations in California (ACT, Low-NOx, Clean Trucks Plan, and ACF) are interrelated, impacting what OEMs can produce, what dealers can sell, and what fleets can buy. The withdrawal of the ACF waiver removes one piece of the puzzle but creates new complications.

OEM Challenges

- Manufacturers must sell zero-emission vehicles (ZEVs) in ACT states, but fleets are not required to buy them. With limited credits available, most OEMs will likely reduce combustion vehicle sales rather than support competitors by purchasing credits.

Need for Trusted Advisors

- Given the rapidly evolving landscape, fleets should rely on well-informed industry associations and trusted dealers to ensure compliance with regulations. Buyers should demand written confirmation when receiving conflicting regulatory guidance to avoid purchasing vehicles they cannot use.

Overall, the trucking industry must navigate a highly complex and shifting environment, requiring vigilance and strategic planning.

Summary

The speaker emphasizes the need for fleets to adapt to the evolving regulatory and technological landscape.

Key Points

Regulatory Awareness

- Fleets should closely monitor ACT states and prepare for potential product shortages as Low-NOx regulations take effect.

Alternative Fuels

- While regulations drive electrification, business cases (e.g., warehouse operations in sustainability-focused areas) can also justify electric or natural gas trucks. Incentives and infrastructure support may make certain applications economically viable.

Open-Minded Approach

- Technology and regulations are rapidly evolving, so fleets should assess whether alternative fuels align with their operations and customer sustainability goals.

Reliable Service Partners:

- Alternative fuel vehicles, especially electric and natural gas trucks, require specialized maintenance. Fleets must ensure they have trained service partners to support new technologies, as inadequate dealer support can lead to operational failure.

Bottom Line

Fleets should stay informed, explore viable alternative fuels, and secure strong service partnerships to navigate the changing transportation landscape successfully.

Will Mitchell of Forum Mobility discusses their role in supporting the trucking industry's transition to zero-emission vehicles (ZEVs) and infrastructure development.

Key Points

Forum Mobility's Role

- Provides on-site and off-site third-party charging solutions to help fleets transition to electric vehicles. They focus on long-term partnerships to support this multi-decade shift.

California's Leadership

- The state has the most advanced EV infrastructure globally, particularly around L.A. ports.

Real-World Success Stories

- Hyatt Logistics expanded from 5 to 20 electric trucks in two years, proving ZEVs can drive business growth.
- Legacy Drayage uses a large-scale charging depot in Long Beach that serves over 40 trucks at a time.

Dealer & Infrastructure Collaboration

- Dealers play a critical role in accelerating ZEV adoption by aligning with infrastructure providers.

Cost & Incentives:

- Innovative leasing programs offer EV trucks for \$1,800/month with no money down—making them cost-competitive with diesel trucks.
- Stackable incentives are available, particularly for Northern California drayage operators.

Future Outlook

- More long-term charging facilities will be built to support continued industry transition.

Bottom Line

Forum Mobility is committed to making ZEV adoption practical, cost-effective, and scalable by offering charging solutions, fleet incentives, and affordable truck leasing options.



PAGA REFORM OVERVIEW



Nick Chiappe, Director of Government & Regulatory Affairs from Cal Trux, begins the session on PAGA (Private Attorneys General Act), explaining that it was established in 2004 to allow employees to sue employers for labor law violations on behalf of the state. He highlights how the recent PAGA reform, led by the California Chamber of Commerce (CalChamber), was a long-term effort involving business groups, labor organizations, and state leaders.

Ashley Hoffman from CalChamber then speaks, detailing PAGA's origins, impact, and reform efforts. She describes how PAGA enabled employees to file lawsuits similar to class actions without meeting class action requirements, leading to significant financial liabilities for employers, often over minor technical violations. She explains how PAGA cases surged post-COVID, with settlements totaling around \$10 billion over several years.

Ashley also discusses the political challenges in reforming PAGA, given strong union influence in the legislature. Despite multiple failed reform attempts, business groups, including CalChamber and industry associations, ultimately pushed for a ballot measure to repeal PAGA and shift enforcement to regulatory agencies. However, running a successful ballot campaign in California is expensive and complex, requiring over \$100 million and a simple, compelling message to voters.

The speaker highlights the significance of the recent PAGA reform, emphasizing two key goals: ensuring employers have a fair chance when faced with lawsuits and narrowing the scope of claims to focus on actual violations rather than opportunistic legal tactics. This reform marks the first major change to PAGA in 20 years, despite long-standing concerns from both legislators and governors. Politically, it demonstrates the business community's ability to influence legislative action when unified, overcoming resistance from powerful individuals who previously blocked reform efforts.

The provisions of the reform include several key changes:

Standing Requirements

- Previously, employees could file lawsuits without personally experiencing the alleged violations. The reform now requires plaintiffs to have directly experienced the violations within the last year, except in cases involving certain 2.

Manageability

- Courts can now limit the scope of claims and evidence at trial, addressing issues caused by PAGA's lack of class-action requirements.

Right to Cure

- Employers, particularly small businesses with fewer than 100 employees, now have a process to resolve claims before litigation. A mediation-style process with the Labor and Workforce Development Agency (LWDA) has already begun settling cases.

Penalty Reductions

- Employers who take proactive compliance measures face significantly reduced penalties:
 - A cap of 15% of penalties if they had compliance measures in place before receiving a PAGA claim.
 - A cap of 30% if they took corrective actions after receiving a claim but before litigation.
 - Maximum penalties were also reduced for minor, brief, or technical violations, especially in wage statement errors.
 - Employers who pay weekly will no longer be penalized twice.

Derivative Claims

- The reform limits the ability of attorneys to inflate penalties by stacking multiple claims (e.g., alleging a wage statement violation because of a missed meal break).

Wage Statement Corrections

- Employers can now electronically correct wage statement errors instead of mailing years of physical records.

Injunctive Relief for Misclassification

- Labor unions secured the ability to seek injunctive relief in worker misclassification cases, which was already possible under existing unfair competition laws.

The reform represents a significant shift, providing employers with better defenses while still addressing worker protections. It also underscores the business community's political influence when it organizes effectively.

The discussion continues to reinforce the positive impact of the recent PAGA reforms, highlighting early successes and strategic advantages for employers navigating the new process. A key takeaway is that businesses are already seeing fewer, more precise claims, reducing frivolous or opportunistic litigation.

Key Takeaways and Updates

Encouraging Legal Developments

- A recent DLSE appeal win in an independent contractor case suggests that moving cases outside of Los Angeles County can lead to better outcomes for employers.
- The reforms are already producing tangible benefits, with more accurate claims being filed and fewer baseless lawsuits.

Early Signs of Change

- The new PAGA statute is still in its early stages, with only about 50 cases currently pending before the LWDA for smaller employers.
- Cases filed after October 1st have not yet moved far enough through the system for courts to provide substantial guidance on how the process will unfold.

Impact of the Standing Requirement

- Plaintiffs must now demonstrate that they personally experienced the alleged violations.
- This change has led to a noticeable narrowing of claims, reducing instances where plaintiffs allege violations that do not apply to them.

The Right to Cure: A Cost-Saving Tool

- Employers that proactively address workplace concerns before a claim is filed can limit penalties to 15%.
- Being proactive—listening to employee concerns and addressing small issues before they escalate—provides a strong defense against excessive penalties.

Handling a PAGA Claim Effectively

- Once an employer receives a PAGA notice, the LWDA has 65 days to act, but businesses should not wait.
- Immediate steps should include:
 - Assessing the claims and verifying the plaintiff's standing.
 - Determining if any claims can be cured.
 - Submitting a confidential proposal to the LWDA for resolution.
- For small employers (under 100 employees across all locations), this process can prevent costly litigation.

Evaluation Process for Larger Employers

- Employers with more than 100 employees do not have an automatic right to cure but can request an evaluation process, which comes with significant advantages:

- **Litigation Stay:** Courts will pause the lawsuit while the evaluation process is underway.
- **Confidentiality Protections:** Any information submitted during the evaluation cannot be used against the employer in future litigation.

Strategic Use of the Evaluation Process

- Employers can choose which claims to submit to the evaluation process. For example:
 - If claims involve overtime or meal/rest breaks, but drivers are exempt under federal law, the employer might not engage with those claims.
 - If claims involve unreimbursed expenses, such as employees using personal cell phones for work, the employer may decide to resolve those claims through the evaluation process.
- Implementing fixes proactively—even before the evaluation is completed—helps reduce future liability and potential class-action exposure.

The Role of the LWDA

- The LWDA facilitates the process, but the overall framework is designed to encourage employers and employees to reach resolutions without prolonged litigation.

Overall Outlook

The reforms are already having a measurable impact by reducing frivolous claims, providing employers with clearer paths to resolution, and introducing mechanisms that promote compliance without excessive penalties. The early signs suggest that businesses that act proactively and engage with the right-to-cure process can save significant legal costs while maintaining compliance.



UPDATE FROM: **ASSEMBLY MEMBER LORI WILSON**



Assemblymember Wilson emphasized the importance of leadership and advocacy in the California trucking industry, ensuring the reliable movement of goods while balancing safety and environmental concerns. She highlighted her start in transportation policy through the Select Committee on Emergency Preparedness and Transportation, recognizing the critical role of freight and passenger movement during emergencies.

She praised the industry's ability to connect small operators with large international carriers, fostering collaboration and trust. Her legislative efforts focus on aligning industry needs with California's regulatory standards while addressing challenges such as fleet transitions to cleaner trucks.

Wilson outlined ten key transportation priorities, emphasizing that they are all being addressed simultaneously:

Transition to Zero-Emission Vehicles (ZEVs)

California leads in phasing out gas-powered vehicles but faces challenges in charging infrastructure, grid reliability, and equity in access to clean vehicle programs.

High-Speed Rail Development

Progress continues, particularly in the Central Valley, but funding, environmental impacts, and federal support remain obstacles.

Public Transit Modernization

Efforts to improve systems like LA Metro and BART focus on efficiency, accessibility, and post-pandemic ridership recovery.

Active Transportation Initiatives

Investments in cycling and pedestrian infrastructure aim to reduce car dependency and improve safety.

Goods Movement & Supply Chain Resilience

Modernizing freight systems, electrifying trucks, and enhancing rail freight infrastructure are critical for reducing congestion and emissions.

Equity in Transportation

Ensuring affordable and reliable transit for underserved communities and addressing the historic impact of freeway construction.

Climate Adaptation & Resilience

Strengthening infrastructure to withstand wildfires, sea level rise, and extreme weather.

Emerging Technologies

Exploring AI, autonomous vehicles, and shared mobility solutions to enhance transportation systems.

Funding & Policy Challenges

With declining gas tax revenue, California is piloting road usage charges as a potential alternative.

Wildfire Evacuation & Emergency Planning

Improving roadways as essential lifelines during crises.

Wilson emphasized that California faces significant transportation challenges, from congestion to infrastructure quality, but also has immense opportunities for innovation. She stressed the importance of wise investments over the next five years to ensure equitable, sustainable, and efficient transportation solutions for all Californians.



PORT OF LA UPDATE



Summary of Gene Seroka's Speech

Port Performance & Cargo Movement

- The Port of Los Angeles had its second busiest year in history, moving more cargo from July to October than in peak years (2021 and 2022) without any major backups.
- Trucking efficiency was a major contributor, with truck cargo dwell time averaging just three days.
- Rail challenges remain, with dwell times at 6.5 days, but data-driven decision-making has helped prevent major issues.

Environmental Progress

- Despite record cargo movement, the port achieved its lowest pollution levels since 2005.
- Trucking companies played a crucial role by adopting cleaner vehicles and reducing idling and wait times.

Community Investment

- The port's Public Access Investment Plan, which dedicates 10% of operating income to community projects, has generated \$500 million in funding.
- Investments include the Wilmington Waterfront Promenade, the AltaSea research hub, and hosting community events like the Lunar New Year Festival.
- The cruise industry continues to drive local economic benefits, supporting restaurants, hotels, and small businesses.

Future Infrastructure Projects

- \$2.7 billion is allocated over the next decade for port infrastructure, including:
 - A new cruise terminal at the Outer Harbor (~\$500M project).
 - Upgrades to the San Pedro cruise terminal for mid-sized and luxury ships.
 - A 6,200-seat amphitheater for concerts, managed by the Nederlander organization.

Cybersecurity & Digital Security

- The port's Cybersecurity Operations Center (CSOC) marked its 10th anniversary and helped block 750 million cyber intrusion attempts in the past year.
- The focus is on phishing awareness, system protection, and collaborating with the Department of Homeland Security.

Gene emphasized the port's strong stakeholder relationships, ongoing modernization efforts, and the balance between business growth, environmental responsibility, and community engagement. He thanked trucking companies for their critical role in port efficiency and sustainability.

Port Performance & Cargo Movement

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Cybersecurity & Digital Security

- The port's Cybersecurity Operations Center (CSOC) celebrated its 10th anniversary, blocking 750 million cyber intrusion attempts last year.
- A new early warning detection system has been developed in partnership with IBM, involving warehouses, shipping lines, and trucking companies under an anonymous agreement to protect business interests.
- This system has already stopped eight major cyberattacks on private-sector stakeholders.
- The Port Optimizer program, launched eight years ago, continues to evolve, now incorporating a new truck reservation system in beta testing.
 - Currently, three terminals are onboarded, and 50 trucking firms are participating.
 - The goal is to improve truck utilization, reduce wait times, and provide flexibility when delays occur.
 - This system is provided at no cost as a City of Los Angeles service to support the industry.

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Financial Turnaround & Business Growth

- When Seroka took over, the port had a negative cash flow of \$188 million. Within 18 months, the team turned it positive.
- Revenue has more than doubled annually by aggressively bringing in new business.
- The port now has:
 - The highest bond ratings of any public agency in the U.S.
 - Record-low debt levels in the past 25 years
 - More financial resources for future investment

Stakeholder Collaboration & Policy Engagement

- The port maintains strong relationships with trucking firms, shipping lines, community leaders, and government officials.
- The focus remains on policy over politics, advocating for supply chain investment in Washington and Sacramento.
- The U.S. economy remains resilient, with steady GDP growth and moderate inflation, but continued investment in housing and fuel cost stabilization is needed.

Conclusion

Gene Seroka emphasized the importance of collaboration, innovation, and long-term investment in keeping the Port of Los Angeles at the forefront of global trade. By enhancing efficiency, securing digital infrastructure, and maintaining financial stability, the port is positioning itself for continued success while supporting the broader supply chain industry.

Summary of Audience Q&A

Export Programs

Peter Schneider from TGS asked about new export programs. The response highlighted ongoing efforts to reduce empty container shipments (currently a 5:1 import/export ratio at LA). Recent work includes collaboration with the USDA and major agricultural stakeholders to prioritize container allocation for exports, particularly in Chicago, rather than sending empties back immediately. There's also an initiative offering incentives for exporters who can turn around a container within 72 hours.

National Security & Chinese Cranes

Concerns were raised about Chinese-manufactured cranes at U.S. ports, particularly their potential for espionage. An executive order mandated a review of ~200 cranes, 80% of which are from China's CPMC. Investigations found no direct security threats, as most software originated from neutral countries like Finland and Japan. However, cybersecurity remains a priority. The Port of LA is currently the only U.S. port with a dedicated Cybersecurity Operations Center and a Cyber Resilience Center, urging other ports to strengthen security measures.

Trade & Tariffs

Discussion also touched on potential 25% tariffs on goods from Canada and Mexico starting February 1st, which could significantly impact trade relationships. Mexico has now surpassed China as the U.S.'s top trading partner, largely due to NAFTA and supply chain interdependencies. While national interests must be protected, strategic negotiations will be key in shaping future trade policies.

Summary of Policy & Funding Outlook for the Port of Los Angeles

Federal Policy & Funding Changes:

- The impact of new leadership in the Department of Transportation (Secretary Duffy) and the Federal Maritime Commission (Chairman Solis) is still uncertain.
- The Port of LA has had strong relationships with the Obama and Biden administrations, securing significant funding, including a \$412 million EPA grant (matched with \$260 million in local funds) for clean energy infrastructure and heavy-duty trucks.
- The federal government remains a key partner, and outreach efforts will continue to maintain and expand that relationship, especially in areas like zero-emissions initiatives and infrastructure development.

Regulatory Challenges & Clean Energy Transition:

- Local environmental regulations, including a potential zero-emissions infrastructure law, are a growing concern.
- While the port has made more progress on clean energy than any other in the world, strict new laws could disrupt operations if policymakers lack industry understanding.
- The focus is on ensuring well-informed policy decisions that balance sustainability goals with economic and operational feasibility.

Advocacy & Industry Engagement:

- The port leadership emphasizes constructive engagement with policymakers rather than adversarial politics.
- Strategies include ongoing advocacy for economic growth, job creation, and infrastructure investment while navigating regulatory pressures.
- The long-term vision extends beyond election cycles, aiming for sustained progress in trade, logistics, and environmental initiatives.

Overall, the approach is to build relationships, provide factual insights, and advocate for practical solutions that support both environmental and economic objectives.

