PACIFIC MERCHANT SHIPPING ASSOCIATION

July 19, 2022

California Air Resources Board
1001 I Street
Sacramento, California 95814

Subject: Comments on Proposed Advanced Clean Fleets Regulation for Drayage Trucks

Submitted electronically to *https://ww2.arb.ca.gov/applications/public-comments*

The Pacific Merchant Shipping Association (PMSA) appreciates the opportunity to provide comments on California Air Resources Board's proposed Advanced Clean Fleets regulation for drayage trucks (ACF). PMSA is a regional trade association representing ocean carriers and marine terminal operators serving California's ports. Our ocean carrier and marine terminal operator members facilitate the movement of cargo through intermodal marine terminals. Much of that cargo arrives or departs marine terminals via trucking companies contracted by third parties. PMSA's primary concern regarding the future implementation of ACF is that sufficient trucking capacity is maintained in order to move cargo. As all have seen over the course of the COVID-19 pandemic, small disruptions in one part of supply chain will reverberate throughout the entire system causing congestion and harm.

Impact of ACF on Port Drayage Likely Underestimated

Port drayage is a dynamic market that responds to changing trade flows and economic circumstances. Trade volumes fluctuate from year-to-year and fluctuate over the course of every year. Drayage capacity expands and shrinks based on these market forces, drawing from and melting back into the larger California heavy-duty truck population as demand changes. The proposed ACF would radically change that dynamic, creating a legacy drayage fleet on January 1, 2024. Any trucks not part of a legacy fleet must be zero emissions (ZE) after this date. As a result, any changes in cargo flows could only be met by ZE trucks; something that will be extraordinarily challenging in the first years of implementation due to factors including current technological and economic feasibility of ZE trucks and the complete lack of necessary fueling/charging infrastructure

In discussions with CARB staff, it appears that future estimates for drayage trucks were modeled on the same basis as the larger California heavy-duty truck fleet. This approach would be appropriate under normal circumstances. However, as ACF would create a segregated fleet, this approach will not work. The critical issue is that this approach does not take into account "churn". The trucks that serve California ports change for numerous reasons: new customers, loss of customers, new opportunities in other trucking sectors, new trucking businesses, or going out of business. While the attrition of drayage trucks may look stable and consistent with a State-wide population from a model year perspective, this method of modeling will not capture churn. Churn is important because the proposed ACF will require

ongoing service to the ports; trucks that do not serve the port in a given year will lose future access, shrinking the legacy fleet.

PMSA requested data from the ports of Long Beach and Los Angeles' Port Drayage Truck Registry between 2013 and 2021. The year 2013 was selected because that follows full implementation of the ports' Clean Trucks Program. After implementation, State regulations do not catch up with the Clean Trucks Program in January 1, 2023. For each year, the number of trucks that lost permission to serve the ports and the number of trucks that gained new access to the ports was pulled from the data. It should be noted that the number of trucks that lost access does not include trucks that maintained access but did not visit in a given year, which would be a larger population.

The results are significant. Over the study period, on average 15% of all drayage trucks lost access annually to the ports. In addition, the trucks that gained access annually to the ports represented 17% of the population. The difference represents the growth over time of drayage capacity. The results over the entire study period are shown below.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
% of Trucks Lost Access	11.0%	11.5%	13.8%	17.0%	16.7%	17.5%	14.7%	16.3%	14.9%	15%
% Increase of New Trucks	15.4%	17.5%	22.1%	20.2%	16.7%	14.5%	14.1%	15.6%	19.3%	17%

Data from ports of Long Beach and Los Angeles Port Drayage Truck Registry

If the trend holds, based on the current population of approximately 21,000 trucks providing drayage service to the ports of Long Beach and Los Angeles, the legacy fleet would shrink by over 3,000 trucks in the first year of implementation of ACF. Based on the historical average of new truck entrants to the San Pedro Bay drayage pool, over 4,500 ZE trucks would need to be added in the first year of implementation. That is a significant number of new ZE trucks in a market that relies almost entirely on trucks procured in the secondary and tertiary markets. More concerning than the volume of ZE trucks is lack of infrastructure. That number of trucks would require approximately 380 charging stations to be installed every month in the first year of implementation or 31 stations every single day.

Given the independent owner/operator (IOOs) that serves California ports, the charging infrastructure described above will need to be public charging facilities. These IOOs are not part of large truck fleets and will need to rely on public-facing charging infrastructure. As a result, IOOs will not be the ones that initiate infrastructure development. Infrastructure must come early either from public agencies or the private sector. With less than 18 months to the proposed implementation date, the level of investment necessary to support the foreseeable market churn of port drayage does not exist.

The rapid decline of the legacy fleet in early years coupled with the number of ZE truck deployments and needed infrastructure foreshadow a significant capacity crunch that will result in disruptions to

California's and the nation's supply chain in the early years of ACF implementation. PMSA proposes that CARB re-evaluate the impacts of ACF on the drayage fleet in light of these numbers and develop regulation modifications and other tools to ensure that a supply chain crisis is not precipitated by ACF implementation.

Proposed Rule Does Not Account for Seasonal Nature of Cargo Volumes

Cargo flows through California ports are seasonal, rising and falling with events throughout the year like the Christmas shopping season and the Central Valley's agricultural harvest. This causes the number of trucks serving the ports to fluctuate over the year and highlights the importance of "infrequent" port drayage trucks serving California ports. There have been suggestions that one method of addressing market "churn" described above would be for remaining trucks providing drayage services to be more solely focused on port drayage to the exclusion of other trucking activities. This approach poses two significant problems. First, there is no guarantee that remaining trucks would be willing to concentrate their services at the ports and forgo other opportunities. Second, while it is plausible that a smaller, dedicated fleet could be constituted to serve the ports during average cargo flows, the structure of the ACF prevents the addition of capacity during peak periods as currently happens. Drayage trucks are interchangeable from other heavy-duty trucks on California roads. That fact provides a pool of capacity that can be drawn upon for drayage services. By segregating drayage services from other trucking services, California will be eliminating that surge capacity. Particularly in the early years when ZE trucks and charging infrastructure will be in short supply, there will be no mechanism in the ACF to correct a mismatch between cargo volumes and trucking capacity. The proposed ACF must include a mechanism to address this issue. Keeping in mind how supply chain disruptions quickly propagate, it will be important that any such mechanism be operable on weeks' notice.

Purchase and Infrastructure Offramps Are Not Available to Many Drayage Operators

As alluded to earlier, the trucking companies serving California's port are overwhelmingly IOOs. Infrastructure and truck purchase offramps or safe havens that are included in the final regulation, must be accessible to the majority of the population serving the ports in order to be meaningful. It is expected that IOOs will rely on public-facing charging infrastructure for ZE trucks. An infrastructure haven, therefore, must place the burden of infrastructure on utilities, not individual IOOs.

Similarly, the proposed one-year lead time is likely beyond the planning horizons of most IOOs. CARB should conduct an evaluation into the truck acquisition process of IOOs – though this continues to ignore that most IOOs that provide drayage service acquire trucks on the secondary market and are unable to acquire new trucks, especially new ZE trucks. The ports of Long Beach and Los Angeles' original Clean Trucks Program pushed thousands of IOOs out of business due to its requirements, often due to the fact that IOOs could not financially qualify to purchase a new truck. "Luckily", this was coincident with the Great Recession, which pushed down cargo and did not unduly constrict trucking

capacity. The ACF must consider the population it is regulating and how that will impact the ability of move cargo throughout the supply chain.

Recommendations
PMSA would like to make the following suggestions regarding ACF:

1) Evaluate the market churn that occurs as part of normal market conditions in the drayage services market and propose changes that address the dynamics seen there. Possible improvements could include eliminating the annual service requirement and have the legacy fleet only subject to SB1 limitations.

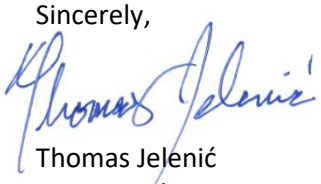
2) Develop a mechanism for rapidly addressing a mismatch between trucking capacity and cargo volumes.

3) Develop a requirement for State agencies and utilities to provide public-facing heavy-duty truck charging infrastructure at a pace consistent with the average 17% growth of new trucks entrants identified in the ports of Long Beach and Los Angeles' Port Drayage Truck Registry and/or delay the regulation implementation date until such infrastructure is available.

4) Ensure that offramps contained in ACF are achievable for population of truckers serving California ports and do not simply push such independent companies out of business.

PMSA appreciates the opportunity to submit these comments. We hope to work with you to craft a regulation that ensure that California's vital ports can continue to be the engine of California's economy while successfully transitioning to a carbon-free future.

Sincerely,



Thomas Jelenić
Vice President