

April 20, 2015

Ms. Mary Nichols  
Chairman  
California Air Resources Board  
PO Box 2815  
Sacramento, CA 95812

RE: COMMENTS ON PATHWAYS DISCUSSION DRAFT

Dear Chairman Nichols:

On behalf of the Inland Empire Economic Partnership (IEEP) Board of Directors- we appreciate the opportunity to provide initial comments on the California Air Resources Board's (CARB) Sustainable Freight Pathways to Zero and Near-Zero Emissions Discussion Draft Pathways discussion draft.

The mission of IEEP is to improve the business climate and quality of life for Riverside and San Bernardino counties. Our membership is comprised of the largest employers in the Public and Private sector within the two-county regions. The Inland Empire current population is 4.3 million residents, with as indicated by a study from IHS Global Insight, estimates that economic growth in the Riverside/San Bernardino/Ontario economy will be the highest in California, for an average of 4.2% through 2020. Growth in the Inland Empire is projected to be ahead of other fast-growing metros, including the Phoenix and Houston areas. A large portion of our economic portfolio is comprised of the industry being reviewed and discussed in CARB's Sustainable Freight, Pathways to Zero and Near-Zero Emissions discussion draft.

We are pleased to hear CARB's interest in the freight transportation system and recognition of importance of freight transport – *that is a piece of the logistics system*- and its significant contributions to the California economy. With that in mind, we would like to bring to your attention the importance of this industry to our Inland economy. CARB's focus on air quality issues only represents one-leg of the three legged stool. We ask for the CARB to take into consideration the economic impacts the proposal may have on economies like ours

As indicated by Dr. John Husing, Chief Economist for IEEP, in an article featured in the Los Angeles Times, entitled "*Inland Empire sees surge in warehouse jobs, but many are low-pay, temporary.*" In relations to jobs "too many critics equate the entire industry with the lowest-level jobs. He notes that 80% of the jobs in the industry — including higher-paying management positions — require only a high school education or less." 'That's who works in the industry — it's people who've worked their way up,' Husing said. 'There's a whole evolution of people up the skill ladder.' Our region's residents represent a large portion of people who find full-time work in this industry with only a high school diploma in this sector. Thus the implications CARB's discussion draft has poses a threat to growth in jobs in this sector.

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In addition, we look forward to continuing to work with CARB and the other state agencies, and would like to reiterate the concerns brought to you by our respective coalition partners. We respectfully request consideration of the following items:

1. The discussion draft warrants appropriate public discussion and process. Our understanding is that the staff would like to finalize the Pathways discussion draft shortly after the Board hearing on April 23<sup>rd</sup>. We encourage the Board to direct staff to, in fact, instead discuss the draft with affected stakeholders during workshops and, if requested, private meetings with affected goods movement sectors before this discussion draft is finalized. We respect that the discussion draft is an initial step to the development of the larger multi-agency and integrated Sustainable Freight Strategy. However, since language in the discussion draft makes clear its uses and indicates the document will be used to direct immediate and near term actions by CARB and that it will be used to inform other ongoing discussions, including the SIP and the next update of the Scoping Plan, the importance of this discussion draft should not be understated. Considering this, and the fact that the Pathways discussion draft was only first released on April 3<sup>rd</sup>, it is reasonable to believe that additional time for stakeholder and industry input is needed before finalizing the document.
2. Issue the Technology Assessments before proceeding further. In 2014, CARB indicated in several venues that the technology assessments would “**lay the framework** for identifying and prioritizing the next steps, including accessing and leveraging funding, near-term implementation strategies, and longer-term actions that could be included as measures in upcoming SIPs” (Scoping Plan Update, page 52, emphasis added). Industry has always supported this position, and we believe that CARB has not laid the technical framework for either the Pathways discussion draft or its upcoming SIP planning and Sustainable Freight efforts. We ask the Board to direct Staff to issue drafts of all of the technology assessments before finalizing the Pathways document and/or proceeding with SIP planning and Sustainable Freight efforts.
3. Developing a truly effective integrated Sustainable Freight Strategy requires a multi-agency approach and sound economic analysis. The Pathways discussion draft only represents CARB's vision, which is focused solely on reducing emissions and the impacts of air pollution. However, in the Pathways document CARB itself recognizes that its vision is just one leg of the stool needed for an integrated statewide Sustainable Freight Strategy. Input from other agencies such as the Energy Commission, CalSTA, and Go-BIZ is equally important. And, economic rigor will need to be applied throughout the process of developing potential strategies and solutions. With this in mind, Shipping, logistics, and supply chain industry partners have been calling for CARB and the other agencies to provide the resources necessary to conduct an independent economic analysis. Economic sustainability for the goods movement industry must be a co-equal consideration in the development and use of the Sustainable Freight Strategy if it is to succeed and meet its goals. We strongly urge CARB to proactively enter into an agreement with GO-Biz,

or some other competent entity, to complete a full economic analysis. Given the economic importance of this sector to the state, it would seem that this is a logical and essential step before any emissions plans or strategies impacting the sector could be considered feasible or appropriate.

4. Concern with declining facility emissions caps and data collection. Since industry does not expect that zero or near-zero emission technologies will be available in the near or intermediate term, were that to be the case, it seems that the only way to comply with a declining emissions cap would be to reduce business activity and move fewer goods – and this is deeply concerning to us. It would seem that any approach based on capping or reducing sector growth is inconsistent with the economic goals stated in the discussion draft itself. Further, given the importance of the goods movement system to the state economy, and especially to the Southern California regional economy and the fact that a declining cap regulation could seriously impact many of the critically important middle class jobs provided by this sector, any serious consideration of this approach warrants thorough economic analysis and careful consideration.
5. More Public Resources and State Incentives Are Necessary. The CARB needs to provide new and robust resources for incentives to achieve the sustainability goals contemplated in the discussion draft. These proposals exceed our current baseline private and public funding profiles of the trade and freight sector infrastructure. As a result, these efforts will not be successful without identifying new sources of public funding to help finance these improvements. Such state contributions and participation in funding could likewise off-set the economic costs of non-competitiveness in trade and hopefully avoid the creation of substantial additional California-only environmental compliance costs. We are particularly concerned that CARB only proposed revising the existing incentive programs and did not suggest AB 32 funding for this preeminent policy objective for California.

In addition, currently, the only technologies that qualify for incentive funding are those that are part of the staff transformational view of the level of reductions needed. However, in many, if not most cases, these technologies are not available today. The Board should direct the staff to change the funding criteria so that they can also invest in transitional technologies which are available today, will provide real emissions and risk reductions, and which will not impede the introduction of these zero and near-zero technologies that are on or over the horizon. Such a portfolio approach to incentives closely parallels the process the CARB has used in the implementation of the ZEV program over the past 20 years.

6. Change CARB's inventory growth projection methodology. CARB's current inventory and growth projections are both unrealistic and inaccurate for several sectors. For example, the projected number of TEUs is grossly inaccurate (too high), the TEU growth rate is not supported

by the most recent decade of activity, and PMSA has stated repeatedly that there is no correlation between ship emissions and number of TEUs. Given some future year locomotive and truck emissions are projected based on TEU growth, CARB should amend its forecasts and, for some sectors, change its inventory methodologies.

7. CARB should prepare written modeling protocols. On page 15, CARB states “[b]ecause ozone formation is a complex, non-linear process, photochemical modeling of freight-related emissions is needed in order to estimate the health impacts associated with ozone exposure. This modeling is planned for the summer of 2015, and the health impacts of freight-related ozone exposure will be estimated at that time.” We recommend CARB prepare written modeling protocols for this effort, engage with public stakeholder, and receive and respond to comments.
8. Land Use. Land use planning and decision making in California involves very elaborate governmental processes that are highly evolved and leave important amounts and types of authority with the cities and counties. Local governments must comply with the numerous state legislative provisions and rules of the state agencies that are already amply involved in how development occurs in California. A major part of the general plan and development process surrounds addressing any potential environmental impacts, including air quality and climate change. Thus, it is unclear, and raises numerous concerns, as to why the Pathways document seems to indicate the need for centralized mandates in the field of land use. It also implies an attempt to usurp authority away from local control.
9. The final Pathways Report should include a thorough discussion of legal authorities. The Pathways discussion draft recognizes that CARB lacks authority to adopt and carry out several of the listed measures. It is not clear that CARB can or should obtain additional legal authority. It provides for several measures that are contingent upon CARB's inability to obtain additional authority. However, the discussion draft omits any discussion of the authorities of CARB, EPA, the air districts or any other agencies that might play a role in developing and implementing the Sustainable Freight Strategy. The final Pathways report, as well as all future Sustainable Freight Strategy reports, should include a thorough discussion of legal authorities -- present and future -- contemplated by the plan. CARB should provide a full opportunity for public comment on the legal authority component and a chance for the Board to review that important aspect of the plan.



Again, thank you for the opportunity to provide these comments. IEEP along with its members and coalition partners look forward to working with CARB to further understand the details of the options presented in the Pathways discussion draft.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Paul C. Granillo', is written over a faint, larger version of the same signature.

Paul C. Granillo  
President and Chief Executive Officer