February 28, 2018

California Air Resources Board
1001 "I" Street
Sacramento, CA 95814
Attn: Cynthia Marvin, Division Chief, Transportation & Toxics
Delivered Via Email

Comments on Advance Materials For Discussion At February 2018 Public Meetings Regarding "Update on Concepts to Minimize the Community Health Impacts from Large Freight Facilities"

Thank you for the opportunity for the public to provide written comments to staff on the advance materials related to the Large Freight Facilities Update. **The freight industries listed below support the CARB staff recommendation that the Board avoid imposition of Indirect Source Rules (ISRs) or other similar facility-based measures** because we believe such measures will limit investment in California's transportation infrastructure, reduce jobs, hurt the competitiveness of California's freight system, increase vehicle miles traveled (VMT) and overall emissions, especially greenhouse gases (GHGs), decrease freight system efficiency, and ultimately delay emissions reductions.

Background

Goods movement industry stakeholders have worked collaboratively with CARB on sustainable freight strategy issues both preceding and since the July 2015 adoption of the Governor's Executive Order B-32-15 which directed multiple agencies to work with stakeholders to prepare an "integrated action plan" that would improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of the goods movement system. CARB, Caltrans, and the Governor's Office of Business and Economic Development (GOBiz) led the multi-agency effort to work collaboratively with all stakeholders, including industry, to prepare a balanced Sustainable Freight Action Plan (Action Plan). The Action Plan identified many state policies, programs, and investments to achieve the three goals laid out in the Executive Order.

The Action Plan considered and rejected recommending that CARB prepare Indirect Source Rule (ISR) or facility cap regulations. In fact, CARB staff recognized that it was not good public policy to proceed prematurely with ISRs without appropriate data and study to better understand the many different aspects of goods movement facility management in order to reflect multiple state policy goals, including system efficiency and the state's competitiveness while reducing emissions. The Action Plan concluded "[t]here is no direction to implement a freight facility performance targets measure in either CARB's Mobile Source Strategy or Proposed 2016 State Strategy for the State Implementation Plan." (at pg. C-41)

Instead, the Action Plan called on CARB to "collect data, such as facility location, equipment utilization, level of activity, and proximity to sensitive receptors from California based freight hubs." CARB recognized that "[c]ollection of additional data and development of enhanced freight analytical tools would help to influence policy development and direct investments to achieve the following benefits: improve efficiency, productivity, and competitiveness; congestion reduction; improve safety, security, and resilience; improve state of good repair; increase use of advanced technologies; and reduce adverse environmental and community impacts."

On March 23, 2017, in a motion for an Addendum from the dais, the CARB Board asked CARB staff to consider a process to develop ISRs or alternatives, despite the clear direction to the contrary laid out in the Action Plan. In response to requests from industry, CARB staff clarified in a September 6, 2017 Discussion Paper that this action by the CARB Board was merely a direction to staff to provide an informational update on potential actions to minimize emissions and mitigate community impacts from freight facilities.

The current Large Freight Facility Update as described by staff in the Advanced Materials is the response to the Board request for additional discussion on ISRs. Industry supports the CARB staff recommendation that the Board avoid the creation of a state ISR. Industry further cautions against CARB support for the imposition of ISRs at the local air districts.

The Consequences of Indirect Source Regulation

Any policy which promotes the development of ISRs will be inherently contradictory to the three policy pillars articulated in Executive Order B-32-15 and the Sustainable Freight Action Plan: improvement of freight efficiency and increasing competitiveness while transitioning to zero emissions.

CARB currently regulates to reduce emissions from nearly every engine, fuel, and emissions source that operates at goods movement facilities, including cargo handling equipment, harbor craft, ocean going vessels, trains and trucks. California's state and district rules are already the most aggressive and costly in North America. In addition to CARB's existing statewide rules, its numerous existing air quality improvement plans are designed to meet the state's climate and air quality goals and reduce community health risks.

Forging into uncharted waters by adopting ISRs, which are best described as facility caps, are contradictory to these existing efforts and goals as they are not set based on the reasonable introduction of feasible, cost effective, and demonstrated available technology – CARB is already doing that. Instead, while ISRs are purportedly established to satisfy arbitrary goals set forth in state air quality plans, such measures could only possibly help achieve air quality benefits when cost-effective, safe, and reliable technologies are available. Otherwise, if technologies either do not exist or are already required by regulation, the only way to further improve emissions from an ISR would be to limit volume and deny access to the facilities.

Consequently, nearly all ISR approaches which effectuate emissions reductions beyond current regulatory feasibility would essentially serve as volume caps. Such caps impede the development of California's goods movement industry, reduce the incentive to invest in new facilities and environmental equipment, and divert trucks to alternative locations that aren't subject to such arbitrary caps.

It seems clear that any approach based on capping or reducing sector growth is inconsistent with the competitiveness goals stated in the Action Plan. Further, given the importance of the goods movement system to the state economy, and especially to the Southern California regional economy, any ISR or declining cap regulation could seriously impact many of the critically important middle class jobs provided by this sector. **Indirect Source Rules are counterproductive to the advancement of the administration's goals and its Action Plan.**

ISRs Create Regulatory Uncertainty. We recognize and commend the administration's willingness to reduce future regulatory uncertainty by agreeing to set a minimum "useful life" for purchases of new truck engines. However, the chilling effect of ISR-related regulatory uncertainty extends beyond trucking to all actors within the interconnected goods movement industry, which makes up one third of the State's economy and jobs. While some advocates may argue that a facility cap approach could accelerate near-term emission reductions for attainment of air quality standards, as well as spur introduction of new technologies and more

efficient operations, they have never demonstrated that this would be the case. The goods movement industry believes just the opposite is true.

ISRs Will Increase Emissions. ISRs will encourage freight distributors to invest in areas outside of the region, or state, to avoid the caps, thus leading to increased VMT, more fuel consumption and higher greenhouse gas emissions. We recommend review of literature on "carbon optimized supply chains" which suggest that carbon emissions are lowered by locating freight facilities closer to the populations they serve. Limits on freight facility throughput in California will drive distributors further from the State's population centers. Already, the California ports are seeing a loss of market share in the form of discretionary cargo that can enter the United States through alternative ports. Recent studies and modeling have also demonstrated that global CO2 emissions will increase if diversion occurs in the maritime sector and if cargo owners choose to ship goods through other intermodal gateways as the result of continued anti-freight policies like ISRs.

ISRs Will Create System Uncertainty. Shippers will not know if they can deliver their goods to facilities because the facility to which goods are destined may have reached its cap.

ISRs Will Decrease Efficiency. Traveling further to reach freight hubs leads to increased delay, increased cost, and decreased efficiency.

ISRs Will Decrease the Competitiveness of California's Goods Movement System. Fewer investments in new facilities will be made if investors cannot be assured that the facility will be able to grow over time and earn a fair return. Less cargo with high fixed costs leads to higher transportation costs per unit, and higher transportation costs per unit lead to less cargo with higher fixed costs per unit. This is a dangerous cycle. Less cargo and lower revenues will lead to fewer job opportunities in freight, lower state and local tax revenues from freight, lower re-investment levels in freight infrastructure, and lower levels of economic activity in the California middle class and in blue collar families and neighborhoods.

ISRs will Penalize Those Who Have Already Made Substantial Reductions. As CARB continues to decrease facility emission targets pursuant to traditional rulemaking, and the freight sector continues to make billions of dollars of investments in new equipment and infrastructure to meet these standards, the imposition of any ISR, at any level, results in additional reductions becoming more expensive because technologies to make those reductions are not readily available.

ISRs on the Goods Movement Sector Set a Dangerous Precedent for Other Sectors. Although CARB is currently only exploring the question of ISR impositions for ports, railyards, warehouses, and other large freight facilities, the same concept can easily apply to office buildings, churches, universities, shopping centers, amusement parks and other facilities that attract automobiles.

Additional ISR Consequences. What else will ISRs do? They will:

- Divert goods to competing out-of-state ports and regions
- Discourage new development in California, particularly warehousing
- Squander existing infrastructure and capacity investments due to vacancies in existing warehouses and underused facilities
- Eliminate many logistics jobs
- Increase congestion, vehicle miles traveled, and overall emissions, especially GHGs
- Delay manufacturing schedules
- Lead to increased perishable cargo spoilage due to delays
- Increase demands for overnight truck parking

Existing Regulations, Freight Industry Reduction Efforts, and CARB Planning Have Already Resulted In Exceptionally Significant Emissions Reductions and Will Keep Producing Future Emissions Reductions Without the Need for Additional ISR Development

California's freight industry is on the cutting edge of environmental stewardship, leading the nation, and indeed the world, in developing environmentally-friendly systems and operations. Industry is very proud of the environmental stewardship efforts undertaken and the tremendous air quality improvements achieved by the freight sector over the last decade.

California has, by far, the toughest mobile source emission standards in the nation. Over the past 30 years, thanks to a slew of new engine and fuel standards, incentives, and regulations, emissions from mobile sources of pollution have been greatly reduced.

Fig. 1 – Impact of Mobile Source Regulation (source: Air Resources Board: 5/25/2017 *Update on PM2.5 SIP Development for the San Joaquin Valley*)

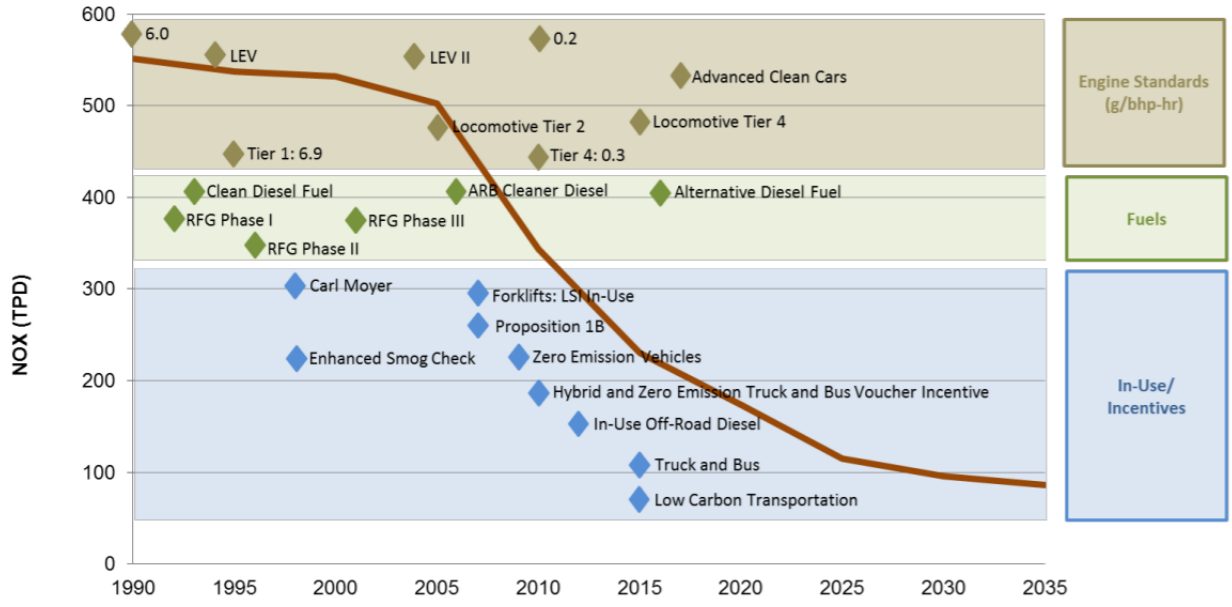
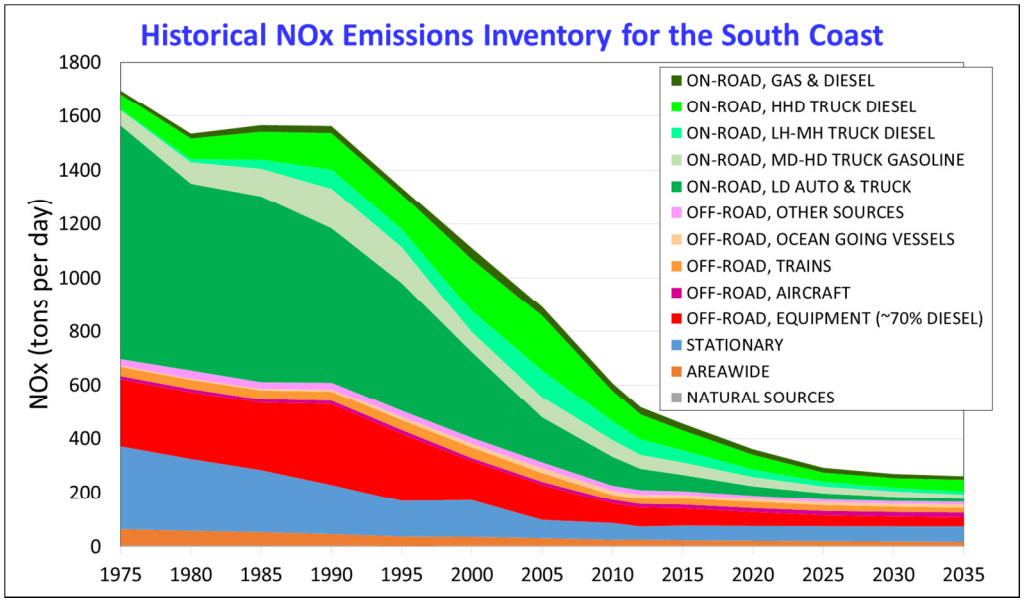


Fig. 2 – Historical NOx Emissions Inventory for the South Coast (source: 2016 Ramboll-Environ analysis of South Coast AQMD emission inventory)



Freight equipment emission reductions have advanced dramatically in recent years as well, with the advent of advanced emission controls, voluntary emission reduction programs, and greater efficiency. For example, between 2005-2015, pollutants of greatest local health concern (PM2.5) dropped by 82% with truck pollution alone dropping by 97%. Carbon dioxide fell by 14%, thanks in large part to increased efficiencies.

For example, we have achieved emissions reductions on the order of 90% in particulate matter, 90% in SOx, and 50% in NOx at our largest seaports. These remarkable improvements have been achieved through collaboration and a combination of incentives, voluntary action, and regulatory advancement. The industry is using cleaner burning fuels; using energy efficient utilities; replacing conventional diesel with lower emission trucks; providing shoreside power for vessels at berth; electrifying cargo handling equipment; and investing in advanced clean technology development. Under the current CARB SIP and other Plans, all data available show that freight emissions will continue to decrease in the future without resorting to unprecedented, draconian measures, such as ISRs.

During this past decade, the state and freight industry worked together to achieve these tremendous air quality benefits from the freight sector while also collaborating on efforts such as the Goods Movement Action Plan, the Goods Movement Emission Reduction Plan, implementation of Proposition 1B, which led to large investments in emissions reductions and large air quality improvements. These processes eventually led to the Sustainable Freight Action Plan and a certain level of trust with the state to work within a set of reasonable parameters.

The only way to attain a sustainable freight system is through collaboration. Implementing ISR concepts will only stifle this collaboration and short-circuit real world discussions on how to achieve additional emissions reductions. A collaborative approach is necessary to facilitate the private sector investments necessary to identify new technology and infrastructure necessary to meet the Administration's air quality goals.

The CARB staff recommendation not to pursue Statewide ISRs should be supported. CARB should avoid affirmatively embracing ISRs at a District level however, and instead, the CARB staff should also ask the Board for direction to initiate the multi-agency effort reflected in the Sustainable Freight Action Plan. Such direction would provide insight to a myriad of issues that need to be considered, including efficiency, productivity, competitiveness, congestion; safety, security, resilience; repair, increased use of advanced technologies; and adverse environmental and community impacts. And we believe there are more concerns such as infrastructure impacts and investments, transportation of hazardous materials, jobs, labor, personnel, financing, and many more. All of these issues should be analyzed prior to the implementation of any further measures to reduce emissions from Large Freight Facilities if a proposal seeks to move ahead of existing plans already adopted by the CARB Board.

Thank you for the opportunity to provide feedback on the Advance Materials for the Large Freight Facilities Update to the Board.

American Trucking Associations
California Association of Port Authorities
California Business Properties Association
California Cotton Ginners and Growers Association
California Railroad Industry
California Retailers Association
California Trucking Association
Chemical Industry Council of California
Coalition for Responsible Transportation
Engineering Contractors' Association
International Warehouse Logistics Association
NAIOP – Southern California Chapter
Pacific Merchant Shipping Association
Retail Industry Leaders Association
San Gabriel Valley Economic Partnership
United Contractors
Western Agricultural Processors Association
Western States Trucking Association