

June 7, 2010

Ms. Barbara Van Gee, Manager
Goods Movement Programs Section
California Air Resources Board / SSD
PO Box 2815
Sacramento, CA 95812

**RE: Proposition 1B Preliminary Staff Recommendations to Allocate
FY 2008-09 and FY 2009-10 Funds**

Dear Ms. Van Gee:

On behalf of the members of the Pacific Merchant Shipping Association (PMSA), I am writing to present our comments on the Preliminary Staff Recommendations for the latest round of funding the Proposition 1B Goods Movement Emission Reduction Program. PMSA represents ocean carriers and marine terminal operators which conduct business at all of California's public ports.

As you are well aware, PMSA has been an advocate of maximizing the cost-effectiveness and proper utilization of the bond funds in the California Ports Infrastructure, Security, and Air Quality Improvement Account. Consistent with our earlier positions, and in order to deliver maximum and early air quality improvements at our Ports, it is imperative that the Board maintain the maximum amount of funding possible for maritime sources and allocate full funding of all shore-power requests made by all of our public ports such that they are given the opportunity to maximize emissions reductions in the most cost-effective manner.

Keeping 1B funding for air quality improvements at the ports is not only of critical importance to the health of citizens in impacted communities throughout our state, but it is also of critical importance to the vitality and competitiveness of our maritime economy, which has been decimated by the global recession. Moreover, since Proposition 1B was placed before the voters in 2006, CARB has imposed numerous regulations on the ports and their private industry partners in the maritime supply chain that will ultimately cost over \$5 billion to fully implement through 2014. Proposition 1B funds must be made available to the ports and their supply chain partners if we are to manage both these massive regulatory burdens and continue to grow jobs and California's trade economy.

In response to the latest NOFA issued by CARB, the Ports of Long Beach, Los Angeles, Oakland and Port Hueneme all submitted shore power funding requests. Each did so in applications that followed the newly revised CARB Guidelines. We support each Port's shore power grant request and implore you to fully fund these requests in Phase I of the current round of funding allocations.

To that end, we agree with CARB staff's finding that Phase 1 funding should be awarded mindful of "the need to provide funds earlier for ships at berth due to multi-year construction timeframes and upcoming compliance dates." We further agree with the recommended tentative funding allocations for the Los Angeles/Inland Empire Corridor, which fully funds the bond allocations requested by the Ports of LA, Long Beach and Port Hueneme.

However, we are gravely concerned with the lack of funding proposed for allocation to the Port of Oakland. It is imperative that CARB allocate the complete \$39.1 million requested for shore power infrastructure by the Port of Oakland and that as much of this amount as possible be funded in Phase I. This funding is critical to the Port, the request was made consistent with and pursuant to the newly revised Guidelines and there is no policy basis given for not fully allocating this grant request.

Again, as CARB staff has acknowledged, it is imperative that as many 1B funds be frontloaded to the support of cold-ironing infrastructure as possible. In addition to this, CARB staff fully anticipated a larger cold-ironing request in this round when it proposed its revised Guidelines earlier this year – that was the basis for the revision of the Category Funding Target for cold-ironing to be revised upwards from \$100 million to \$160 million and the per berth funding amounts to be granted at \$3.5 million per berth if improvements could be made by 2012.

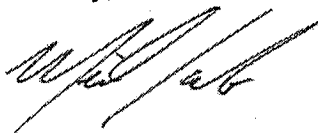
Moreover, the prudent administration of this fund, if one is to believe that the recent Guideline revisions' Category Funding Targets reflect CARB's priorities for Proposition 1B spending, should lead CARB staff to a full allocation of the amounts requested by the Ports. The total amount of Shorepower funding requested by the Ports in the current NOFA equals \$100.4 million. The total 2008 funding round awards to shorepower totaled \$5.3 million. This leaves a balance in this Category Funding Target of \$54.3 million. In other words, of the \$154.7 million balance remaining in this funding category, the current Port request equals 64.9% of the Category funding. Given that this allocation represents \$500 million of the remaining \$750 million of Proposition 1B funds available to be awarded, or 66.67% of the total funding, the total amount requested by the Ports is on track with full Category funding.

In other words, if the current allocations to the Port of Oakland are not granted in this round, the shorepower Category Funding Target will have a balance of \$69.5 million going into the final round – but this runs precisely counter to the staff priorities that these funds must be provided earlier than other funds. When one considers the economic and environmental costs that may result from not fully funding the Port of Oakland's request, we fail to understand the basis for failing to fully fund the request during this current allocation. The fact is that if this money was to be provided to them in the final round then they would not have the resources available to deliver shorepower infrastructure in time to be prepared for the 2014 regulatory baseline, much less able to deliver additional emissions benefits over and above that baseline.

Moreover, we would respectfully request that the CARB staff acknowledge that time is of the essence with regard to these critical air quality infrastructure investments, and that by expediting the full and complete allocation of the requested shorepower grants not only will our communities breathe easier sooner, but we will put many thousands of Californians back to work and help set the Ports on firmer financial footing. In addition, please be reminded that investments in shore power infrastructure are an investment of public funds in capital projects managed by local public agencies tasked with developing public infrastructure on state-owned property for public benefit.

Thank you for your efforts to deliver maximum and early air quality improvements to the Ports and port communities. We appreciate the Board's commitment to providing the infrastructure necessary to deliver not only the baseline requirements of the CARB shorepower regulation but the early and extra emissions benefits that will accrue from Proposition 1B.

Sincerely,



Mike Jacob
Vice President

cc: Boardmembers, Air Resources Board
Cynthia Marvin, staff Air Resources Board
California Association of Port Authorities
Advocation, Inc.
KP Public Affairs
Shaw/Yoder/Antwih