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INFORMATIONAL HEARING

**Update on the Administration's Efforts to
Develop an Integrated Freight Plan**

Monday, January 25, 2016
1:30 p.m. ♦ State Capitol, Room 4202

Background Paper

Introduction

In August 2015, the Transportation and Infrastructure Development Committee held an informational hearing to better understand how to develop a vigorous freight system - one that moves goods efficiently, reduces emissions, and supports a vibrant economy. At the hearing, the Committee heard from Administration officials who are currently working on various freight planning efforts. The Committee also heard from industry stakeholders, all of whom have a vested interest in the outcome of those efforts.

The purpose of today's hearing is to get an update on the Administration's progress in freight planning and to hear back from stakeholders about their related observations and concerns.

Background

As we learned in August, there are a number of freight-related activities underway at regional, state, and federal levels, including:

- Regional Transportation Plans: Regional Transportation Plans (RTPs) establish the basis for programming local, state, and federal funds for transportation projects within a region. RTPs are developed in an open, transparent process and are intended to advance long-term policy goals, such as addressing transportation needs and reducing greenhouse gas emissions.
- Moving Ahead for Progress in the 21st Century Act: The Moving Ahead for Progress in the 21st Century Act (MAP-21) was signed into law in July 2012 and was the first

federal funding program to specifically address the need for comprehensive goods movement planning across the nation. MAP-21 established a national freight policy with specific goals including increasing economic competitiveness, improving the state of good repair, making greater use of advanced technology and innovation, and reducing environmental impacts.

- National Freight Strategic Plan: MAP-21 also mandated the U.S. Department of Transportation to produce a National Freight Strategic Plan (NFSP) which was published in draft on October 2015. The NFSP describes the freight transportation system and future demands on it, identifies major corridors and gateways, assesses barriers to freight system improvements, and specifies best practices for improving the freight system.
- California Freight Mobility Plan: Although MAP-21 did not specifically require states to produce freight plans, it signaled that those states with freight plans would be eligible to receive federal monies for goods movement should funds become available. AB 14 (Lowenthal), Chapter 223, Statutes of 2013, answered MAP-21's call for state freight planning and mandated the preparation of a state freight plan by the California State Transportation Agency (CalSTA). Specifically, AB 14 required CalSTA to complete the California Freight Mobility Plan (CFMP) to govern immediate and long-range planning activities and capital investments with respect to freight movement. The CFMP, which was released on December 31, 2014, identified \$168 billion worth of freight-related infrastructure projects across the state.
- Sustainable Freight: Pathways to Zero and Near-Zero Emissions: Discussion Document: In its efforts to reduce diesel particulate matter and greenhouse gas emissions in the freight sector, the California Air Resources Board (ARB) released a discussion document in April 2015 entitled "Sustainable Freight: Pathways to Zero and Near-Zero Emissions: Discussion Document" (Pathways Document). The Pathways Document responds to the Board's direction to identify, prioritize, and recommend specific measures and actions to meet the state's air quality attainment and climate needs. In the Pathways Document, ARB discussed a variety of strategies to reduce emissions including moving toward zero emissions in the heavy-duty truck sector, accelerating technology development and deployment, addressing near-term nitrogen oxide reductions from trucks, expanding enforcement presence in the freight sector, and potentially implementing sector-specific control strategies such as facilities-based emission caps.
- Executive Order (EO) B-32-15: In July 2015, Governor Brown issued EO B-32-15 that ordered the secretaries of CalSTA, the California Environmental Protection Agency, and the Natural Resources Agency to lead relevant state departments in developing an integrated action plan, by July 2016, that establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system. The EO further ordered the action plan to identify state policies, programs, and investments to achieve these targets, and required that the plan

be informed by broad stakeholder input. Additionally, to ensure progress towards a sustainable freight system, the EO ordered the initiation of work this year on "corridor-level freight pilot projects within the state's primary trade corridors that integrate advanced technologies, alternative fuels, freight and fuel infrastructure, and local economic development opportunities."

- Fixing America's Surface Transportation Act: In December 2015, President Obama signed the Fixing America's Surface Transportation Act (FAST Act), the federal reauthorization bill for transportation. Among the most significant changes under the FAST Act is the expanded focus on freight. While MAP-21 encouraged every state to develop a freight plan with an eye toward creation of a national freight network, it provided no funding. In contrast, the FAST Act creates a \$1.2 billion per year national freight program targeted toward building this network. California expects to receive \$116 million per year as a result of FAST Act implementation. Additionally, the FAST Act creates a \$900 million dollar per year competitive grant program for nationally significant freight and highway projects and states, regions, and local governments are all eligible to apply for these funds individually or in groups.

Committee Concerns: This Committee has heard from some that a comprehensive goods movement system should be guided by a single, integrated plan. This Committee has also learned, however, that there seems little hope of consensus among stakeholders about what the priorities of that plan should be or that a single integrated plan is even a wise approach.

Some argue that an integrated goods movement plan should focus on clean air and climate change and that investment should first be directed toward programs that address freight sector emissions such as expanding zero- and near-zero truck and equipment technology. In fact, ARB's staff presentation to their board just last week specifically called out strategies such as:

- Accelerating technology development and deployment of new, cleaner, and more efficient equipment;
- Expanding enforcement presence near freight hubs;
- Pursuing new emission standards;
- Evaluating the expansion of at-berth regulations;
- Adding zero-emission technology at new and expanded freight hubs; and,
- Placing a cap on the amount of emissions any facility, such as an airport or warehouse complex, could attract.

Others assert that the state should focus on infrastructure improvements in the goods movement system, as reflected in the CFMP, developed in response to AB 14. Projects in this plan were gleaned from regional transportation plans and sustainable community strategies—strategies aimed at meeting region's transportation needs all the while meeting greenhouse gas emission reduction targets specified by ARB.

These disparate perspectives lead to a series of concerns that the Committee anticipates will be discussed at this hearing:

- Stranded Investments: Stakeholders have expressed concerns that ARB's freight-related efforts focused on vehicle technology will lead to requirements that force freight sector partners to expend substantial capital, beyond that which they have already invested, to comply with ARB's rules and regulations. These entities, such as the trucking community and ports, have already made substantial investments in cleaner technology—investments for which they have not yet received a return. This Committee is concerned that if there are to be new vehicle technology requirements, that they be imposed over a time period sufficient to allow the costly investments already made by the industry to be recouped before new investments are required.
- Technology Not Yet Available: Industry stakeholders report that many of the technology requirements being discussed by ARB, particularly with regard to zero-emission heavy-duty trucks and equipment, are not currently available and would, therefore, be impossible to achieve.
- Uncertain Commitment to Ensuring Economic Competitiveness: Although the Governor's EO called for an integrated freight plan to ensure increased competitiveness of California's freight system, it is unclear what the state agencies are doing to address this particular aspect of the plan. Funding to study freight efficiency and the transition to zero-emission technologies has already been directed to the integrated planning efforts. However, funding to develop tools and methodologies to ensure increased economic competitiveness has apparently not yet been provided. It is unclear how the Administration expects to address this important perspective of the plan.
- Confusion on Pilot Program: There has been much discussion about the objectives of the freight pilot projects called for in the EO. This Committee is looking forward to receiving clarification as to what the pilot program is attempting to achieve, how the projects will be selected, and what funds will be used to pay for the projects.
- Infrastructure Improvement: Much of the discussion that has taken place regarding the plan has involved moving the freight sector toward zero-emission technology and there has been very little discussion about how infrastructure improvement fits into the overall plan. This is particularly concerning given that the CFMP addresses infrastructure improvement needs of \$168 billion and that these improvements are part of the regions' sustainable community strategies.

- Facilities Cap: The Pathways Document included a discussion about the potential imposition of a facilities cap (a limit on the amount of emissions a facility can attract). At the ARB hearing last week, ARB staff indicated that the facilities cap is still under consideration. There are legitimate concerns from freight industry stakeholders about a facilities cap and it is important that the specifics of this proposal be addressed if it is indeed under consideration.

Today's hearing is important. The goods movement industry is vital to California. Clean air and reduced greenhouse gas emissions are also vital to California. It is imperative that the plan or plans we develop to guide future investments includes both of these vital components so as to allow us to meet our goods movement needs, increase the state's economic competitiveness, and make the greatest gains reasonable toward greenhouse gas emission reduction goals and clean air.