

Date of Hearing: April 23, 2018

**ASSEMBLY COMMITTEE ON TRANSPORTATION**

Jim Frazier, Chair

AB 3079 (O'Donnell) – As Amended April 17, 2018

**SUBJECT:** California Port Efficiency Program

**SUMMARY:** Creates the California Port Efficiency Program (CPEP) and defines eligible projects for the program. Specifically, **this bill:**

- 1) Creates the CPEP to fund projects that improve velocity, throughput, and reliability of port operations, as defined.
- 2) Requires the California Department of Transportation (Caltrans) to select projects for the CPEP that most effectively result in the program's objectives.
- 3) Defines eligible projects for the CPEP to include, but not be limited to:
  - a) Deployment of digital industrial infrastructure to facilitate and streamline the exchange of data between supply chain participants; and,
  - b) Projects designed to reduce truck visit times including, but not limited to, appointment systems and truck parking facilities.
- 4) Restricts eligible applicants to regional transportation agencies or port authorities.
- 5) Requires projects proposed for the CPEP to comply with the requirements for the Trade Corridor Enhancement Program.

**EXISTING LAW:**

- 1) Enacts Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This bond act authorized \$2 billion for the Trade Corridor Improvement Fund (TCIF) Program, administered by the California Transportation Commission (CTC).
- 2) Combines existing federal and state freight funding for CTC to administer the Trade Corridor Enhancement Program in order to fund trade corridor improvements consistent with various statutory requirements.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The successful and efficient movement of goods around and through California is critical to the state's economy. In fact, about one-third of California's \$2.2 trillion economy is made up of freight-dependent industries, and more than 5 million jobs are tied to these industries.

Further, California is the nation's largest gateway for international trade and domestic commerce. Together, the Ports of Los Angeles and Long Beach facilitate the trade of 14.1 million containers annually, making the complex the fifth largest seaport in the world. Overall,

California's 11 public ports are integral to the success and dominance of the state's freight system.

Despite their status as the strongest in the nation, California ports face a number of efficiency challenges, including increased trade volumes, the deployment of larger ships, and industry complexity. Specific impacts on port efficiency include: carriers' increasing use of megaships on California port calls; inefficient infrastructure; inadequate intermodal connectors at various gateways; and poor communication among shippers, terminals, ocean carriers, and land transport companies.

Coupled with these challenges is the fact that ports in other states are fiercely fighting for California's economic activity. The expanded Panama Canal now allows for larger vessels to pass through its channel, thereby giving high-volume Pacific shipments easier access to East Coast ports. Additionally, Southern California ports face greater pressure than any other port complex in the country to reduce health risks and GHG emissions, with state law aiming to reduce GHG emissions and improving air quality. Given these state directives, the mayors of the ports' respective cities have pledged to move toward a goal of zero and near-zero emissions, increasing the cost of doing business with the ports.

Recognizing the importance of goods movement to California, the Legislature has taken a number of steps to facilitate freight corridor development. For example in 2006, as part of Proposition 1B, the Legislature dedicated \$2 billion to the TCIF, a program funding infrastructure improvements along federally designated "Trade Corridors of National Significance" and other corridors within the state that have a high volume of freight movement. In SB 1 (Beall), Chapter 5, Statutes of 2017, the Legislature dedicated \$300 million per year to a new program called the Trade Corridor Enhancement Program in order to fund trade corridor improvements.

The author states that, in order for ports to successfully engage in the global marketplace, prepare for the expected surge in cargo, and meet sustainability goals, they will need new ways to achieve efficiencies that speed their operations and the flow of cargo. While ports have undergone modernization over the last several years, and will continue to do so, the state must prioritize and advance projects that strategically improve the efficiency and overall performance of California ports. This bill provides the framework necessary for the state to partner with ports and deliver the resources needed for strategic improvements in port efficiency.

*Committee Comment:* This bill creates a new program specifically dedicated to improving the efficiency of the state's port operations; the CPEP focuses on improving the port's throughput and reliability of cargo movement. While these types of projects are generally eligible for various state freight programs, this niche issue may not always compete well against large, transformative infrastructure projects. Projects involving freight movement such as cargo data sharing and truck scheduling could have profound efficiency and air quality impacts, and therefore creating a focused program for these types of projects seems like a reasonable proposal.

*Prior Legislation:* SB 103 (Senate Budget and Fiscal Review), Chapter 103, Statutes of 2017, created the Trade Corridor Enhancement Program to fund freight transportation infrastructure projects.

AB 531 (O'Donnell) of 2015, would have established the Southern California Port Joint Powers Authority with the power to plan, develop, and implement projects and measures necessary to alleviate congestion in the Ports of Los Angeles and Long Beach. AB 531 was referred to the Senate Transportation and Housing Committee but was not heard at the request of the author.

AB 2041 (Lowenthal) of 2004, would have established the Port Congestion Management District and authorized the board to collect fees on commercial vehicles operating in the Ports of Los Angeles and Long Beach between 8:00 a.m. and 5:00 p.m., Monday through Friday. AB 2041 was held on the Senate Appropriations Committee suspense file.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California Trucking Association

**Opposition**

None on file

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