

STATE OF CALIFORNIA

SENATE TRANSPORTATION & HOUSING COMMITTEE

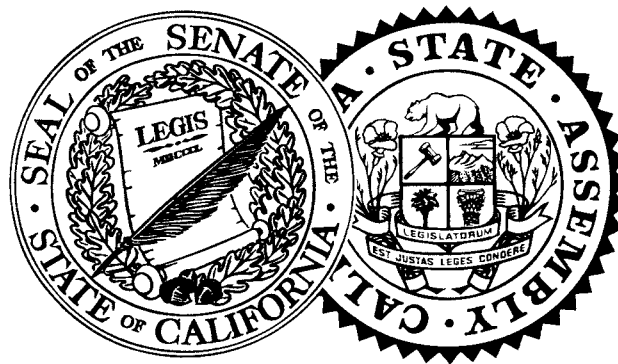
SENATE SUB-COMMITTEE ON CALIFORNIA PORTS & GOOD MOVEMENT

*Goods Movement: Assessing California's
21st Century Needs and Consequences*

INFORMATIONAL HEARING REPORT

Senator Alan Lowenthal

Senator Tom Torlakson



TUESDAY, NOVEMBER 15, 2005
STATE CAPITOL, SACRAMENTO

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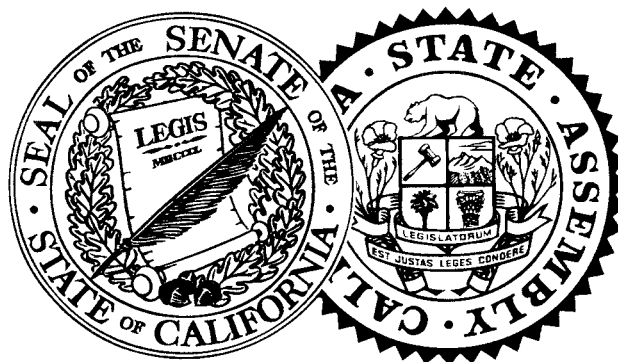
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INTRODUCTION

Goods Movement: Assessing California's 21st Century Needs and Consequences

On Tuesday, November 15, 2005, the California Senate Transportation Subcommittee on California Ports and Goods Movement (Senator Alan Lowenthal, Chair) held an informational hearing in Oakland, California to assess and discuss California's goods movement needs in the 21st Century. The three-hour hearing attracted an audience of more than 50 people.

STAFF FINDINGS

The witnesses, legislators, and public contributed to a robust dialogue concerning goods movement issues. After reviewing the testimony and written material, staff offers the following findings:

- The importance of goods movement is not simply a local or regional issue; it is an issue that impacts the entire State of California and the nation.
- California needs a goods movement plan and project list that is based on a statewide understanding of needs, objectives, and clearly defined and articulated goals with specific performance objectives.
- It is imperative that California invests in its ports and the infrastructure that supports ports and goods movement activity.
- California needs a comprehensive and integrated approach to fund goods movement and infrastructure-related air quality issues.
- California's strategic emphasis needs to be on a holistic approach that links all ports together. The state should not think of nor plan for port improvements as separate projects, but as an interconnected system to maximize California's goods movement efficiency and effectiveness.
- A collaborated and coordinated global approach to improving air quality in and around the ports is needed.
- Reducing air pollution at and around the ports will require a national and international multiagency and private sector collaborative partnership to be effective.
- The public and more specifically, the communities around ports and intermodal facilities, must be involved early and throughout the planning and project development stages of any infrastructure improvements that will impact those working and living in targeted areas.

LEGISLATOR'S OPENING REMARKS

Senator Torlakson convened the hearing and welcomed the attendees. Senator Torlakson introduced Senator Lowenthal as the chair of the Senate Transportation Sub-committee on California Ports and Goods Movement, which was created at Senator Lowenthal's initiation. Senator Torlakson also announced that he is becoming chair of the Senate Democratic Caucus and that Senator Lowenthal is now going to be the chair of the Transportation and Housing Committee.

Senator Lowenthal thanked Senator Torlakson for his gracious comments and said that he was very pleased to have served under Senator Torlakson's leadership. He noted that goods movement is very central to, not only his own mission in the California Legislature, but for the mission of California and the nation. California is uniquely poised to redefine our nation and our state in terms of: What are the kinds of jobs that will be here in the future and where will we have the replacement of some of the manufacturing jobs?

"This is a time where the paradigms are changing, and we in transportation have an opportunity to really develop a seamless transportation system to link the maritime transportation system with our inland transportation system."

Senator Lowenthal also stated "We are faced with and confronted with an aging, overburdened infrastructure as underscored by the California Transportation Commission's 2004 report that our goods movement system is in crisis and on the verge of collapse." He went on to say, "We cannot just expect that without... important strategic planning, we are going to get through this. We have got to be able to build a system that is efficient...reliable, and...predictable. To do that, we have to engage in making a start today." He also extolled the importance of collaboration and noted that collaboration on infrastructure is the mantra from the Senate leadership, from the Governor, and from the Assembly. He stressed the importance of commonly agreed-upon goals, so that California can achieve those goals and objectives; so that the state can have public and private partners in improving the transportation and goods movement programs; and so that all can work together on what the issues are and how to ascertain solutions.

Senator Lowenthal also noted the importance of new technologies, cleaner and more sustainable kinds of growth, and the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC). He said the California Legislature is waiting for the CALMITSAC report on a recommended statewide strategic plan for the goods movement industry. Senator Lowenthal said the Governor's Goods Movement Action Plan is also moving forward and that the Senate will work with the Administration on reaching consensus on both proposals.

Senator Lowenthal pointed out the nationwide focus on California.

We go back to Washington and they all say what you do now on goods movement in California will set the tone for the nation and the world. We are all watching what takes place in California... the problems that you have.... in California are the same ones that are going on at Washington, are going on at the Gulf Coast. They are going on at the East Coast. You have got to come up

with a plan. You have got to start this off, and you have got to bring this attention to the nation that goods movement is one of our most important issues for the nation to resolve so that we can thrive in the 21st century.

Senator Denise Moreno Ducheny said the San Diego Port is a little different than Oakland and L.A./Long Beach concerning cargo types and there are opportunities to do some things collectively that relieve congestion. She said we need to acknowledge all of the goods that we are moving across the Mexican border. “Those ports of entry, while they are not on water, are also ports of entry, and those land ports of entry in Calexico and in San Diego at Otay Mesa are bottlenecked and creating all sorts of issues of air quality in the same way. A lot of the goods movement traffic is going through other communities to Los Angeles and Long Beach, and we have to keep all of those corridors working.”

THE WITNESSES

Ten witnesses formed six panels that addressed various goods movement related issues in California. The panel topics are listed after the respective panel number below.

Panel 1 – Presentation on Senate Bill 1024 (Perata), the infrastructure bond

Panelist

Senator Tom Torlakson, Chair, Senate Democratic Caucus

Senator Torlakson spoke of his recent trip to China. He said that it was stunning to see there the level of construction and intense infrastructure investment that will support enhanced goods movement. The city of Dalian, China is investing \$5 billion to increase its port’s capacity to handle an additional 10 million containers per year. California has about 15 million containers that move through all of our harbors today. Dalian is planning to have on line within about five or six year’s capacity for another 10 million containers. China’s investment in goods movement infrastructure also includes high-speed trains and highways. California is in a competitive situation, and a focus on goods movement is needed.

Senator Torlakson highlighted the bond that Senator Perata and he are authoring. Both senators have traveled the state to invite stakeholder input on the bond. The bond will include funding for goods movement, infrastructure, rail, infill development, air pollution mitigation, and security. The bond will provide \$2.3 billion to repay outstanding Proposition 42 loans to fund the Traffic Congestion Relief Program (TCRP) projects and \$1.5 billion will be used to augment the State Transportation Improvement Program (STIP).

Panel 2 – California Goods Movement Action Plan Briefing

Panelist

Mr. Will Kempton, California Department of Transportation (Caltrans) Director

Mr. Kempton congratulated Senator Lowenthal on being named chair of the Senate Transportation and Housing Committee and thanked Senator Torlakson for all his good work as chair.

Mr. Kempton stated that his charge is to discuss and provide a status report of the Goods Movement Action Plan for California. Mr. Kempton noted the goods movement industry is a major financial engine in California and shipments of cargo containers are poised to double over the next fifteen years. Forty-three percent of the exports that come into this country come through California ports.

Regional congestion around California seaports has already forced numerous national and international companies to identify other points of entry for cargo bound elsewhere in the United States, and as a result, these companies have directed containers away from California ports. He noted that there are a number of challenges facing California such as:

- a large infrastructure planning effort,
- a significant investment will be needed to ensure the continued viability of goods movement in California,
- community resistance to congestion and pollution caused by port activity and growth,
- the absence of regulations for ships,
- some business resistance,
- some lack of federal cooperation to fully meet California's needs,
- traffic congestion.

Concerning traffic congestion, he said, “The number of hours of delay on the state’s highways is expected to rise by 43% in Southern California, 106% in San Diego, and 77% in the Bay Area over the next twenty years.” Goods movement is a major contributor to traffic congestion and a bottleneck to future growth. “By 2020 port-related emissions will be Los Angeles’ biggest pollution source, pumping 14 tons of diesel particulate matter into the air in that region.” Goods movement solutions must also address environmental and community impacts.

Mr. Kempton next discussed the Administration’s Goods Movement Action Plan. He said, “In January 2005, the Administration developed a policy position on California’s goods movement industry with the aim of improving and expanding California’s goods movement industry and infrastructure in a manner that will generate jobs, increase mobility and relieve traffic congestion, improve air quality and protect public health, enhance public and port safety, and improve California’s quality of life. The Administration’s efforts are being led by the Business, Transportation and Housing Agency—Secretary Sunne Wright McPeak—and the California Environmental Protection Agency—Dr. Alan Lloyd, secretary of that agency.” Mr. Kempton said they are doing joint outreach with more than 350 participants at public listening sessions to develop a Goods Movement Action Plan.

In September 2005, the “Draft Goods Movement Action Plan: Foundations” was released, and the goal of this plan is to reach consensus on action that identifies priority infrastructure projects, environmental and community mitigation, Homeland Security projects, financing, and federal action that is necessary. The plan synthesizes comments received and characterizes the goods movement growth potential, the extent of environmental and community impacts, the safety and security aspects of goods movement, and the four port-to-border transportation corridors that constitute the California’s goods movement backbone and the associated inventory of infrastructure projects planned and underway. The four port-to-border transportation corridors include the San Diego area—the border gateway; the Ports of Long Beach and Los Angeles in the Inland Empire; the San Francisco Bay Area; and the Central Valley.

The Goods Movement Action Plan will proceed in two stages: a progress report focusing on principles and criteria will be completed next month, and a final report will be completed by June of 2006.

Mr. Kempton reported that in October 2005, workgroups were convened to discuss environmental impact mitigation. Meetings were held in Long Beach and Oakland. The goal was to identify near-term measures to reduce air quality impacts from port and related operations and long-term mitigation approaches for further research and development.

An Infrastructure Workgroup hearing was conducted on November 1, 2005, in Sacramento. The group reviewed and evaluated the infrastructure project inventory and developed project recommendations that will be summarized into corridor business plans. Three key focus elements include: goods movement infrastructure project prioritization, opportunities to enhance project delivery, and the implementation of operational improvements in support of goods movement.

The Innovative Finance and Alternative Funding Workgroup held a hearing on November 1, 2005, in Sacramento. The group discussed possible approaches to secure greater federal funding for goods movement projects. Potential additional state and local funding streams, alternative financing options, and innovative financing mechanisms were identified. Needed legislative and regulatory actions were also discussed.

The Homeland Security and Public Safety Workgroup held a hearing on October 31, 2005, in Sacramento. They are working closely with the Innovative Finance Workgroup. The federal sources of homeland security funding that support goods movement safety and security efforts and projects were identified.

The Community Impact Mitigation and Workforce Development Workgroup held its hearing on November 2, 2005, in Sacramento. The goal was to solicit community input on potential mitigation measures to reduce the air quality, health, traffic, noise, and visual blight impacts of goods movement. Recommendations were developed to enhance the supply of potential industry employees through high schools, community and four-year colleges programs, and industry efforts.

Mr. Kempton reported that currently there is an Integrating Workgroup that is coordinating the activity of all of the other workgroups. The group compiled and reviewed potential policy actions on the international, national, and state levels that could lead to improved operations, funding, and project delivery. The Integrating Workgroup will synthesize comments and the recommendations of the five working groups and present the final comments to the Business, Transportation and Housing Agency and the Environmental Protection Agency. On November 28 and 29, 2005, the Integrating Workgroup will convene to discuss the compilation of information that comes out of the five supporting workgroups.

He said the plan is to submit the action proposals to the Governor in December - January, and the Governor is expected to then announce a goods movement initiative. He said the Goods Movement Action Plan is really a component of the larger "Go California" effort. "Go California" is a massive charge to reduce future congestion in the year 2025 to levels below what it is today and to do that over ten years.

Mr. Kempton noted the public can go to California Air Resources Board's website at www.arb.ca.gov for the "Goods Movement Action Plan: Foundations Phase 1 Report" and meeting information.

Senator Torlakson asked Mr. Kempton how he saw the Goods Movement Action Plan coordinating with CALMITSAC and some of the other strategic goods movement efforts that are going on.

Mr. Kempton responded that Gill Hicks, chair of CALMITSAC is working with the Goods Movement Action Plan effort, and we have a very significant amount of involvement from the environmental and community-based sector of the state.

Senator Lowenthal commented that CALMITSAC has brought together many of the stakeholders, such as the environmental community, community groups, shippers, terminal operators, and others.

Mr. Ted Muhlhauser, Assemblymember Karnette's representative, asked what role or action the Administration would like to see the Legislature play concerning project delivery?

Mr. Kempton responded that the Administration has been pressing two procurement methods: design sequencing, in which the Legislature has provided some limited authority through a piece of legislation carried by Senator Torlakson, and design-build.

Senator Lowenthal asked if the Administration would also like to see more discussions not only in design-build but design-build-operate too?

Mr. Kempton said that would fall into line with the Administration's legislation to authorize public-private partnerships. He continued, "That is something that I think, as director of the Department of Transportation, is probably the most critical element of authority that we need from the Legislature. We must attract private investment to this state to help us with our infrastructure needs."

Panel 3 - Northern California Strategic Planning Development

Panelists

Mr. Jerry Bridges, Executive Director, Port of Oakland

Ms. Therese McMillan, Deputy Director for Policy, Metropolitan Transportation Commission (MTC)

Mr. Jim Wunderman, President and CEO, Bay Area Council

Mr. Bridges spoke about the Port of Oakland and how it is moving goods, the challenges it faces, and some ways it intends to meet these challenges. He said the Port of Oakland is the fourth busiest container port in the United States, and it is experiencing tremendous growth. The Port of Oakland has invested over \$1.2 billion to expand their maritime operations and infrastructure.

With over a thousand acres of marine terminals, the port is handling over a million containers each year, nearly two million TEUs (twenty-foot equivalent units), and more than 1,900 vessel calls annually. The port is projecting double-digit growth and activity over the next several years.

The Port of Oakland also owns and operates the Oakland International Airport, which is the biggest air cargo airport by tonnage in the Bay Area. In 2001, the port generated \$7 billion in economic impact; well over \$200 million in state and local taxes; and is largely responsible for more than 40,000 jobs in the region.

The port's business is creating many challenges such as strains on the surface infrastructure, port congestion, road and highway gridlock, and environmental issues, such as air quality and vehicle emissions. There is also ship delay due to imbalance of cargo flow. Another challenge is increased competition with other ports outside of California.

A potential solution is to utilize the Port of Oakland and other maritime and transportation resources in our state as part of a California port-wide network system that can bring some relief to growing congestion in Southern California. Oakland has marine terminal capacity with a 46-foot channel. The port recently was approved for \$48 million in funds to assist with dredging to 50 feet.

Oakland is serviced by two major transcontinental railroads and has near-dock container transfer facilities, but the port's intermodal facilities in rail access infrastructure needs to be improved both in the port area and outward to the rest of the country. The port's rail capacity will be the primary constraint to its growth.

Mr. Bridges said the port needs to look at the entire freight rail system. He stressed the need to work with the port's transportation partners to ensure that there are adequate capacities throughout the region, state, and beyond. He warned that if the port only focuses on increasing the immediate port capacity, there is sure to be congestion throughout the entire system.

The port's Executive Director pointed out that there are various rail access projects both local and beyond the Bay Area that the Port of Oakland has identified as high priority. These include:

- The 7th Street grade crossing and roadway improvement,
- an outer harbor intermodal terminal at the former Oakland Army Base,
- and two intermodal rail projects.

The Port of Oakland is currently in discussions with the Port of Sacramento to manage Sacramento's port operations. This is, in part, to ensure the continued operation of this important maritime asset and will also provide Northern California with the option of developing a short-haul barge or rail service between Sacramento and Oakland. Oakland has also been in discussion with the Port of Humboldt Bay about moving forest products from the North Coast region to the Port of Oakland via barge or rail.

Senator Lowenthal commented that the state's emphasis should be a systemic approach that links our ports together. Neither the state nor local governments should think or plan for port improvements as separate entities, but rather as an interconnected system. He noted that the Port of Oakland's emphasis on moving from truck to rail and the effort to improve rail is clear thinking. He said, "The regional approach to goods movement and linking the ports to the inland is farsighted and the state needs to think in those terms. The Senator also noted his support for Oakland wanting to use barge and short haul rail and believes this could be a productive approach to goods movement.

Senator Lowenthal asked if the port was considering any environmental planning similar to the efforts by the Port of Los Angeles and Long Beach.

Mr. Bridges responded that in terms of the port's environmental work, the Port of Oakland is very watchful of what is developing in Southern California. The Port of Oakland has a very positive working relationship with the surrounding communities. He pointed out that there are regular meetings with various groups, including the Bay Area Air Quality Management District. The port has looked at equipping all of the terminal equipment with low-sulfur engines and other pollution-deterrent devices. Currently the port has offered a program to the trucking community that would retrofit some of the trucks providing service to the terminals with newer engines to reduce emissions.

One concern Mr. Bridges identified is the problem anticipated by the development of a piecemeal approach to environmental issues where standards are set for California or the nation that are inconsistent with standards existing elsewhere in the world. The maritime industry needs a global approach and needs to have a coordinated effort. Mr. Bridges advised the committee that White Papers on various Oakland Port initiatives are available at www.portoakland.com.

Ms. McMillan presented an overview of freight issues in the Bay Area for the next 25 years. One issue she brought up is the need for identifying additional sources of funds. Also, effective freight planning not only requires effort at the regional level, but effective freight planning demands a statewide stage. She asserted that by its very nature, freight planning is a multi-jurisdictional effort and requires broad based local partnerships in defining the problems and solutions.

Ms. McMillan asserted that the state needs to set clear priorities to assign funds. The Goods Movement Action Plan that Director Kempton outlined has an extensive list of factors and potential measures. She recommended that whatever is chosen in terms of a set of performance measures needs to help California determine capital and operations improvements that enhance the flow of freight within and through the state to local, domestic/national, and international markets. She said, “Goods movement must operate as an integrated multimodal system. Projects with the highest rate of return should be advanced first.” Continuing on, she noted, “California needs to identify and mitigate environmental impacts, spur private sector investment to leverage public sector resources, and engage the cooperation of outside jurisdictions to assist the state in this effort.”

Ms. McMillan urged establishing a baseline to prioritize a statewide picture of the volume and pattern of current and future goods movement flow, and the constraints to meeting that flow within the existing system. She said, “We need to ask ourselves the question: How does California address those constraints to improve freight flows, and how quickly can we do something about it?”

Ms. McMillan proposed that establishing freight-specific system performance objectives will be necessary. She continued, “What are the priorities for California’s market share of international and domestic trade? Do we have a sense of really what the statewide system wishes to capture, particularly with the growing trade from Asia? What are the volumes and/or the value of freight moved in this state, and does the state’s transportation leadership have some targets that it is trying to reach?” California needs to accommodate increased future trade flow to U.S. markets through its global gateways. The state also needs to look at investing in increasing Southern California port capacity and interstate access routes, by investing in utilizing surplus port capacity in Northern California ports to absorb more import flows to U.S. markets. Policymakers need to identify what is best for California.

Ms. McMillan said that once the state sets its priorities, it must address how to achieve those objectives.

Stakeholders also need to look at the jurisdictional, institutional, and political impediments to achieving its objectives in goods movement. Ms. McMillan also noted that the California Department of Transportation should “quarterback” the freight strategic plan over the long term. After all the work is done, there should be a statewide freight project list ranked and based on performance outcomes, cost effectiveness (including the cost of mitigations), and implementation feasibility.

The final issue Ms. McMillan raised is finding money for projects. The need to underwrite freight projects with a permanent source of funds. Legislative changes on existing fund sources may need to be thought about in terms of revisiting and restructuring priorities. Private sector contributions will also be very important for freight funding. There has been a lot of talk about private fee for private benefit as a concept, and this issue needs to be addressed.

Senator Torlakson asked whether talks have started between MTC (Metropolitan Transportation Commission), the Port of Oakland, shippers, and carriers regarding candidate roadway projects in the region? He asked if these stakeholders have become engaged in creating a master plan layout for use and expansion of the area's freeway system. "Within this model", he inquired, "are you projecting additional truck lanes and do you anticipate charging a toll for these new projects once completed?" Finally, he asked whether the region has engaged in public discussion on these concepts.

Ms. McMillan responded that the regional freight study the MTC did with its partners included the Port of Oakland, and identified in separate papers a long list of projects, including potential Interstate 580 truck lanes. **Senator Ducheny** asked if the truck lanes would be toll lanes. Ms. McMillan informed the members that truck toll lanes were under discussion along with other funding options.

Mr. Wunderman, the third panelist for the discussion of Northern California Strategic Planning Development, spoke on behalf of the 200 Bay Area Council business community members throughout the nine-county Bay Area. He said the region is unified in its understanding that it absolutely needs to preserve and improve goods movement to prosper as a region and to prosper as a state.

Mr. Wunderman pointed out that over 37% of Bay Area economic output is in industries that rely on the ability to move goods, and goods movement itself generates good jobs that pay well in industries such as trucking, warehousing, and logistics. It is projected that container cargo at the Port of Oakland will double in just fifteen years; and air cargo, which is critical to high-value industries in the Bay Area, will triple in the next fifteen years.

Continuing on, Mr. Wunderman said if we in California fail to act on goods movement, trade will move to other ports, taking the jobs, tax revenue, and economic benefits along with it. Canada and Mexico, as well as the states of Washington and Oregon, have become extremely viable competition with California. "Goods from Asia are already bypassing the West Coast and heading straight to the Port of New York/New Jersey as well as ports in Texas," Mr. Wunderman said.

The Bay Area has documented the goods movement solutions, and it is estimated to cost \$5 billion together with innovative strategies to make the system work more efficiently. The state and regions must invest strategically. For the Bay Area, a strategic investment means the first priority is to facilitate goods movement through the Port of Oakland and out into the Central Valley for connections to Southern California, and toward Utah and points east from there. Collaboratively the state and the Northern California region must also leverage new investments with smarter policies, as well as improving highway and rail access in the Interstates 880, 580, and 80 corridors.

Mr. Wunderman stressed there must be a new dedicated revenue source along with flexible state and federal funds to implement goods movement improvements. Also, private financing and user fees must play a role in goods movement funding. He said "The state needs to provide regions with the authority to develop toll-financed projects and public-private partnerships, and the state should work with all stakeholders to consider possible user fees that could generate revenue from those users who receive a direct financial benefit."

Panel 4 - Southern California and Border Planning Development

Panelists

Mr. Mark Pisano, Executive Director, Southern California Association of Governments (SCAG)

Mr. Norm King, Executive Director, San Bernardino Association of Governments (SBAG)

Mr. Gary Gallegos, Executive Director, San Diego Association of Governments (SANDAG)

Mr. Pisano started the panel discussion by providing an overview of SCAG and noted it is a metropolitan planning organization, is co-designated with the Air Quality Management District to draft the air quality plan, and is charged with crafting a comprehensive transportation and land use plan for the region.

Among the most difficult issues for Southern California are actually the employment and the wage issues in Southern California related to international trade. Mr. Pisano cited University of California at Berkeley Professor Rob Leachman's conclusion that the location, innovations, and opportunities created in Southern California are unique and competitive. These attributes would be hard to replicate anywhere in the United States, and they produce significant savings to U.S. residents. This is attributable to the phenomenon called "transloading," Mr. Pisano quoted Professor Leachman as saying "Go to China and try to buy a product—not just a low-end but a high-end product—and you will buy it cheaper in the United States than you will buy it in China, and the reason is because of the logistic efficiencies that have been introduced within the Los Angeles region." These efficiencies require shipping goods on extremely large vessels, anywhere from 6,000 to 12,000 containers per ship. Because of the economies of scale, the actual cost of shipment is reduced substantially. The containers from these ships are transported via rail to the Inland Empire for sorting and redistributing. Thus, goods movement and international trade industries require plenty of land and a very good delivery system facilitated by a network of transportation systems; and, this is what Southern California has.

Logistics work employs one out of twelve jobs within the SCAG region and that is anticipated to increase. A recent regional employment study by Dr. John Husing finds that between logistics and construction, it is anticipated 1.3 million jobs will be added. Approximately 400,000 of those will not come if we do not make the needed investments.

Mr. Pisano asserted that it is important to be able to answer if the investments required to maintain California's competitive advantage will enable us to clean the air, protect the communities, and maintain a viable economic strategy. SCAG's 1992 transportation plan included a system of truck lanes, and the region is now moving forward in looking at significant changes on the I-710 freeway.

He also noted air quality in the goods movement area is predominately a transportation program issue and that many of the standards and regulations are predominately under the federal government. The question that SCAG is struggling with is, "How do we achieve a high measure of air quality while providing a community impact mitigation program?" To accomplish this, SCAG is proposing an investment approach, one in which there is potential among the various sources, to solve the problems through incentive based programs, such as emission tax credits.

Mr. Pisano continued, “Another regional challenge is that the region grew and developed as a manufacturing area. To accommodate logistics needs, the region now needs to redesign the landscape around the intermodal and goods movement facilities. The question is how does the region do this?” The region just finished a major growth vision effort named, “Compass 2%,” and it includes a two-percent strategy to modify land-use patterns around intermodal goods movement facilities.

Mr. Pisano quoted from recent research, showing that, there is a cash value of savings of \$100 to \$300 per truck due to time savings with truck lanes. Mr. Pisano confirmed that the truckers will pay for these infrastructure improvements with that level of value savings. Research also shows that by 2010, the region will run out of both rail capacity and critical lanes within the regional system. With the investments that have been identified—that is \$1.2 billion of capacity expansion and \$2.4 billion of community mitigation hours will be saved and will contribute to an increased productivity in rail.

Mr. Pisano said that financing for both the capital investment and environmental mitigation is based on the principle that the investments will generate substantial increased productivity gains for the users of the system, shippers and transporters, and that they will be willing to amortize the investment with a payment schedule.

He concluded by saying the region needs help to create the regional institution that will enable the collection of fees the investment for transportation and community impacts. The region needs the authority to do this. Mr. Pisano concluded, “Give us the tools to do this because we do not have those tools right now. If you give us those tools, my board and I will commit to you that we will put together the network of institutions and programs for both movement of goods and protection of our community that will solve this problem, and furthermore, in the long run, begin to help the state solve the tax revenue problem.”

Mr. King was the second panelist to speak. He said, “During the past few years, federal administrations have encouraged world trade, and there has been a big benefit. American consumers are paying less for goods.” The federal government, however, has not taken responsibility to help mitigate the impact that occurs from freight flowing through our areas. Mr. King encouraged the California Legislature to assist in educating our congressional delegation as to the need for federal responsibility. The federal government needs to help California with impact mitigation and resources.

Mr. King also stressed that all port related issues are system issues, and the limitation of port development is not on the waterside, it is on the landside. He also pointed out 70% of the port goods leaves Southern California and about 30% is consumed in Southern California.

Mr. King discussed “good freight” and “bad freight.” About 40 percent of the total freight that leaves directly is moved by train and about 30 percent is transloaded, and that is the good freight. The good freight provides employment and economic activity. Bad freight has impacts on local transportation systems and public health for which Southern California and the Bay Area are not compensated. “Why should the Inland Empire and Southern California residents bear the cost and inconvenience so that someone living in Iowa can pay less for a TV made in Korea?” he questioned.

The impacts of bad freight include most importantly the air pollution associated with diesel consumption. There are also costs of congestion, issues of infrastructure maintenance issues, and the need for grade separations.

The benefits of good freight include the logistics industry, a nonpolluting, well-paying and middle class job generating industry.

Mr. King said one question that comes up is will container fees cause diversion from Southern California or elsewhere? He said if container fees were properly imposed with the proper firewalls, the idea would spread and, in fact, would neutralize the effect of user fees around the country because other areas suffer the same kinds of consequences that we do.

Mr. Gallegos spoke next as the third panelist. He noted the San Diego region's relationship with Mexico is a \$36-plus-billion-dollar relationship. On an annual basis, California exports over \$16 billion to Mexico and imports around \$20 billion. This represents about 3 percent of California's gross product. We export more goods to Mexico than any other place. California, however, has not built a border crossing since the 1980's, unlike Texas, which is now building border crossings.

SANDAG partnered with Baja California in 2000 to develop a cross-border travel forecast model that looks at land use. This tool is projecting that demand for cross-border travel between California and Mexico will double in the next twenty years. This means California will need to invest in new border crossing facilities, providing opportunity to increase security by putting in all the necessary technologies to make safe border crossing.

Mr. Gallegos shared information pertaining to companies that move their products across the border with extremely tight product development cycles. He said, "The reliability of having a border crossing that allows for quick crossing is critical, and our lack of investment is causing companies to question if the San Diego region is the best place for their business." Should these companies move, it would not only hurt Baja California, but it would impact the San Diego region and California due to the loss of high-paying jobs on the United States side.

Toyota, Mr. Gallegos reported, located in Tijuana primarily because it wanted to sell Toyota trucks to Mexico; but secondarily because it wanted to have a link with its twin plant in Fremont. Toyota's challenge is that it ships over 150,000 truck beds to Fremont, but the rail infrastructure crossing the border is inadequate.

Mr. Gallegos said international borders may not get the same attention that some of our seaports receive, but the San Diego border crossings represent 3% of the gross state domestic product that we develop, and the region believes there is potential to grow in the future.

Panel 5 - Roadmap for Inclusion of Environmental Strategic Planning

Panelist

Mr. Peter Greenwald, Senior Policy Advisory, South Coast Air Quality Management District (SCAQMD)

Mr. Greenwald noted that SCAQMD is the regulatory agency with responsibility to achieve clean air in Los Angeles, Orange, Riverside, and San Bernardino counties. He said the air quality in the South Coast Air Basin is still the worst in the nation, and it has very serious health impacts. Mr. Greenwald noted that sources in goods movement are key contributors to air pollution problems, and the majority of emissions in the area are from mobile sources. Many sources in goods movement are relatively uncontrolled and lack control strategies. He said air quality must be a primary consideration in any goods movement action plan.

He reported that a recent University of Southern California School of Medicine epidemiological study found that children growing up in areas of the South Coast Air Basin with relatively high particulate pollution have higher rates of reduced lung function. Also, the California Air Resources Board estimates that diesel particulate emissions alone in South Coast are responsible for 1,700 premature deaths every year. Diesel exhaust is also responsible for 71% of the cancer risk created by air pollution in the area.

Last month the California Air Resources Board released a draft health risk assessment for areas near the ports of Long Beach and Los Angeles. The risk assessment concluded that tens of thousands of persons are exposed to cancer risks of up to, and in some cases, over 500 per million just from pollution sources within the boundaries of the ports. “These numbers are a lot higher compared to levels allowed by the air quality management district rules for new stationary sources which are limited to just 10 per million.”

Mr. Greenwald then shared some information pertaining to the sources of the air pollution. He said much of the pollution comes from goods movement. For example, he said, “It begins with a container vessel carrying goods from Asia. This vessel is powered by an enormous diesel engine, some three stories tall. That engine is not equipped with emission control devices, and it runs on some of the dirtiest fuel imaginable, containing an average of 27,000 parts per million sulfur. Compare that to the 15 parts per million sulfur that will soon be required for on- and off-road sources in the United States.”

The United States has not adopted any emission standards for foreign flagged vessels, even if they are in our ports. Mr. Greenwald said collectively, such ocean-going marine vessels emit more nitrogen oxides every day than all the power plants, refineries, and 330 other largest stationary sources in the South Coast Air Basin.

Remarkably, in an area with such a severe air pollution problem that agencies regulate sources as small as barbecue lighter fluids and underarm deodorants, there are no federal, state, or local emission standards applicable to the engines in foreign flagged marine vessels. International standards are so weak that they have little or no effect.

Mr. Greenwald noted that the thousands of containers on that vessel are among the millions annually that are funneled into our regional goods movement system that is powered almost entirely by diesel engines. Cargo-handling equipment, mostly powered by diesel engines, will place over 80% of such containers on diesel trucks for a trip out of the port to regional destinations or to intermodal yards where the containers will be placed again by diesel equipment onto trains pulled by diesel locomotives.

Collectively, all of these port-related sources emit fully a quarter of the diesel particulate emissions in the South Coast Air Basin, a percentage that is expected to steadily grow if controls are not applied. Mr. Greenwald continued, “Unless substantial emission controls are applied, these emissions impacts will become even worse as cargo throughput increases.”

Mr. Greenwald said we need to broadly implement strategies such as cleaner fuels, after-treatment, shore-power for marine vessels, alternative fuels including electrification for line-haul locomotives, and truck modernization programs in order to reduce the air pollution. Also, due to legal and other hurdles to regulating sources in international and interstate commerce, federal and international regulatory bodies should play a role in our effort to reduce pollution. State and local authorities, and particularly the ports which have considerable authority as landlords, must also play a key and aggressive role in reducing pollution.

He concluded his comments by saying, “Air quality measures will not have any credibility with, or support from, the public unless they are developed through an open and inclusive process. This principle should also apply to the development of strategies to address any goods movement issues.”

Panel 6 - CALMITSAC Planning Mechanisms and Briefing

Panelist

Mr. Gill Hicks, Chair, California Marine and Intermodal Transportation System Advisory Council (CALMITSAC)

Mr. Hicks reported that CALMITSAC has about thirty members representing a variety of interest groups. He said the California and United States Environmental Protection Agencies have been added to CALMITSAC. Mr. Hicks also noted that CALMITSAC is on track for submitting an interim report to the Legislature by January 1st, which will outline recommendations for infrastructure, operational improvements, environmental programs, and financial strategies.

Mr. Hicks reported that SB 1024 would provide a critical, new source of funding for key projects. He said SB 1024 provides \$1 billion for the proposed high-speed rail corridor, including grade separations. Mr. Hicks also noted that a greater need exists for grade separations on existing freight corridors such as the Alameda Corridor East to Colton and other areas.

Another issue in the bill is state funding for urban infill projects. Mr. Hicks said he would be concerned if state public funding went to subsidize housing next to freight rail facilities, rail yards, railroad tracks, and other industrial facilities. This could result in more problems exposing residents to air and noise pollution.

Mr. Hicks testified, “The allocation of the \$2 billion Global Gateways Fund should reflect the priorities established by the regions. The state should consider the key projects that are included in the draft listing of key improvement projects in the state Goods Movement Action Plan.” That plan includes such major projects as the Gerald Desmond Bridge and the I-710 truck lanes.

He further said SB 1024 is very important, but we cannot rely on this vehicle alone. The state also needs to continue to protect Proposition 42 funds and to vigorously lobby for more federal support, including development of a national freight policy. The self-help counties can provide inspiration, as it is going to have to be more of a self-help situation.

Mr. Hicks said California should develop specific finance plans around a limited set of high-priority projects that all stakeholders agree are absolutely essential, as opposed to mandating user fees through legislation. He said project-specific revenue streams for focused, well-managed projects can be protected for the benefit of bondholders and users alike. He requested that the Legislature refrain from introducing any new container fee bills in 2006 in order to allow the various stakeholders to negotiate these public-private partnerships, which he believes are possible.

Senator Torlakson directed a request to Mr. Hicks and his CALMITSAC team to provide some advice and assistance in arranging a strategic meeting face-to-face with California’s congressional delegation members. State legislators, business, labor, and the Governor’s Administration must join together in bringing to the attention of our congressional delegation, the critical need for a partnership with the federal government in crafting a national strategy for the growth of international trade through the California gateway. Senator Torlakson said to Mr. Hicks, “If the invitation to such a forum is extended through your broad-based association, it is far more likely that more congressional members would attend a face-to-face meeting to figure out a strategy.”

Mr. Hicks responded by saying, “Senator Torlakson’s idea is excellent, and this is a perfect bipartisan issue that affects all stakeholders, including business and the public.”

PUBLIC COMMENTS

Senator Lowenthal invited the audience to provide public comments.

Ms. Margaret Gordon is with the West Oakland Environmental Indicators Project and the Ditching Dirty Diesel Collaborative. She said her organization partners with local agencies in dealing with diesel issues, and she offered to leave some reading material. As a resident of West Oakland, Ms. Gordon said she lives less than one mile from the Port of Oakland, where she deals with truck traffic, noise, vibration, horns, smells, and smoke every day. With the expansion of the port, she pointed out, that the local residents have not seen a real growing relationship that would be seen as a true resident-public-private partnership. Although there are good compelling economic strategies being developed, there has not been a compelling strategy concerning nor addressing the impacts on the community. She said health should be the first priority because she and five of her 10 grandchildren in West Oakland have asthma. Also, one of her neighbors just died from cancer and another neighbor has cancer.

Ms. Gordon said she is for economics, good jobs, housing, and schools, but not at the expense of her own health, nor that of the community's health. Additional public health officers should be involved in the process.

Ms. Gordon requested that any construction equipment be clean and that HEPA filters be put inside of the applicable houses.

Another concern she articulated relates to the port's eviction of 20 truck businesses within the port property. This has resulted in the drivers parking their trucks in the neighborhood. Ms. Gordon said, "People are driving their cars in, getting their trucks, and doing port business." She said there are no truck-supported businesses serving the needs of truckers at the port. There is no place for them to buy food, take a shower, or to get a haircut. They have to come into the community to do those things. She opined, "There needs to be a separation between the community and the trucks."

Ms. Gordon concluded by saying a more comprehensive partnership between the city, county, state, and the federal governments together with the residents that have been impacted by goods movement needs to occur. **Senator Lowenthal** asked Ms. Gordon "Is there is a community participation mechanism now in place at the Port of Oakland?" Ms. Gordon responded that there is not.

Ms. Andrea Samulon, research associate with Pacific Institute for Studies in Environment, Development, and Security in Oakland and a member of the Bay Area Ditching Dirty Diesel Collaborative, said one significant challenge is how to facilitate meaningful participation of affected community members in the goods movement process. She said one method is public participation in the goods movement planning process; currently, the public is largely uninformed as to the complexities, meanings, and nuances of the goods movement system.

She also expressed concern about the Goods Movement Action Plan timelines. **Senator Lowenthal** said he believed that Caltrans Director Kempton responded to that issue and said that those timelines will change. Ms. Samulon went on to express concern with the "Phase 1: Foundations" report and said it does not adequately characterize the impacts of goods movement. Ms. Samulon said, "Prior to any discussion about environmental mitigation, community health, and improvement projects, we need to systematically characterize and study the current impacts of goods movement on fence line communities."

Ms. Samulon added, "What assurance do we have that environmental mitigation, community and health improvement projects will not become mere afterthoughts or pushed to the side, despite the meaningful conversations that are being held? How can we guarantee that a percentage of all monies going towards infrastructure will be set-aside in a community improvement fund? Where are these commitments going to come from, and when will we see them?"

Senator Lowenthal responded that SB 760 has a container fee as its central focus and SB 1024 has a requirement for matching private sector contributions. SB 1024 has specific amounts—percentages—and SB 760 requires \$10 of the fee be invested in each of three areas; infrastructure, air quality mitigation, and security. The Senator also mentioned that the SCAG plan calls for \$10 billion that is needed for air quality improvements.

Mr. John Cockle with the California Short Line Railroad Association and superintendent of operations with the Richmond Pacific Railroad spoke next. He said short-line railroads offer an opportunity for localized, hands-on operations, management, and planning that can work in concert with the strengths of the Class 1 railroads.

He commented that the California Short Line Railroad Association has an excellent relationship with the Union Pacific and the Burlington Northern Santa Fe, and he believes the association can be a good partner with the state and the Class 1 railroads to make the statewide goods movement package come together on the railroad side. He also noted that the CSLRA has been invited to become members of the CALMITSAC, and they are excited about that.

Mr. Brian Beveridge spoke next. He is co-chair with Margaret Gordon of the West Oakland Environmental Indicators Project. He also serves as co-chair (with Richard Grow, representing the United States Environmental Protection Agency), of the West Oakland Toxics Reduction Collaborative, which is a broad multi-stakeholder group working to identify community priorities in toxics reduction for West Oakland. He said one of the eight proposals in the Toxics Reduction Collaborative is a “No Net Increase” initiative, which he hopes becomes more than a dialogue. He expressed disappointment that there were no local political leaders present to participate in this dialogue and learn more. He characterized this as a result of a disconnect between the community and those with political responsibility.

Mr. Beveridge cautioned that the promise of emerging technologies must not be used as an excuse for bad planning or to put off investment in modernization. He also said smart growth has to be healthy growth. These elements must be integrated into the broader California Environmental Quality Act discussion. He concluded that the health of those living in impacted areas must be considered before any new growth takes place.

Mr. Mike Jacob, on behalf of Pacific Merchant Shipping Association, said the terminal operators, steamship lines, and others represented by his association do not identify themselves as those will benefit from the infrastructure that is going to be created. He said a container fee implemented on a marine terminal operator will not work, because the terminal operators are not the users of the infrastructure that is going to be developed.

He mentioned, agreeing with Mr. Pisano’s statements, that there are significant incentives for the use of a toll-based expressway or truck lane for truckers. Mr. Jacob concurred that significant savings would be realized by these two infrastructure concepts.

Mr. John Showalter said he is not speaking on behalf of the International Longshore and Warehouse Union (ILWU), but for the record, the ILWU supports sustainable growth. It respects the rights and health of all workers at the ports and assists in protecting communities from diesel particulate matter and other pollutants. He said the local unions are also working with community groups, including the Ditching Dirty Diesel Collaborative, the West Oakland Toxics Reduction in the Bay Area, and the No Net Increase effort in Southern California.

Senator Lowenthal concluded the hearing by thanking the attendees for their time and comments. He said the issues that were raised and discussed during today’s hearing are

considered among the highest priority, if not the highest priority for California. **Senator Lowenthal** said, “We have a first-class world transportation system and it must be sustainable and clean, and that is where we are going.” He stressed the importance of economic, environmental, and public health; pointing out that inaction by the stakeholders, community interests and the state will produce a monumental crisis. He concluded, “Now is the time to provide leadership, and we are going to do it.”

AMENDED IN SENATE JANUARY 26, 2006
AMENDED IN SENATE SEPTEMBER 8, 2005
AMENDED IN SENATE AUGUST 29, 2005
AMENDED IN SENATE MAY 12, 2005
AMENDED IN SENATE APRIL 26, 2005
AMENDED IN SENATE APRIL 14, 2005
AMENDED IN SENATE APRIL 12, 2005

SENATE BILL

No. 1024

Introduced by Senators Perata and Torlakson
(Principal coauthors: Senators Migden, Murray, and Soto)
(Coauthors: Senators Alquist, Kehoe, Lowenthal, and Machado)
(Coauthors: Assembly Members Klehs, Negrete McLeod, and Yee)

February 22, 2005

An act to add Chapter 12.49 (commencing with Section 8879.20) to Division 1 of Title 2 of the Government Code, to add Chapter 3.6 (commencing with Section 50535) to Part 2 of Division 31 of the Health and Safety Code, and to add and repeal Section ~~2704.21~~ 2704.22 of, and to repeal Chapter 20 (commencing with Section 2704) of Division 3 of, the Streets and Highways Code, relating to public works and improvements by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, ~~making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 1024, as amended, Perata. Public works and improvements: bond measure.

~~(1) Existing law provides various funding sources for transportation purposes.~~

This bill would enact the Safe Facilities, Improved Mobility, and Clean Air Bond Act of ~~2005~~ 2006 to authorize ~~\$10,275,000,000 in an unspecified amount of~~ state general obligation bonds for specified purposes, including the state transportation improvement program, passenger rail improvements, levee improvements, flood control, restoration of Proposition 42 transportation funds, port infrastructure and security projects, trade corridors of significance, *transit security projects, grade separation projects, local bridge seismic upgrade projects, state-local partnership transportation projects*, emissions reduction projects, environmental enhancement projects, transit-oriented development, ~~transportation needs in cities, counties, and cities and counties that meet certain requirements relative to provisions of housing needs in their communities~~, and housing, regional growth, and infill development purposes, subject to voter approval.

This bill would require the Secretary of State to submit the proposed bond measure to the voters at the ~~November 7~~ June 6, 2006, election, *except as specified*.

This bill would establish the Transit-Oriented Development Implementation Program, to be administered by the Department of Housing and Community Development. ~~The bill would create the Transit-Oriented Development Fund in the State Treasury as a continuously appropriated fund, thereby making an appropriation, and would provide for certain moneys to be deposited in the fund.~~ These provisions would become operative only if the voters approve the bond act.

This bill would also provide for the repeal of certain provisions of existing law relating to the High-Speed Passenger Train Bond Act for the 21st Century if the voters approve this bond act.

This bill would enact other related provisions.

~~(2) This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote: ~~2/3~~-majority. Appropriation: ~~yes~~-no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 12.49 (commencing with Section
2 8879.20) is added to Division 1 of Title 2 of the Government
3 Code, to read:

4
5 CHAPTER 12.49. THE SAFE FACILITIES, IMPROVED MOBILITY,
6 AND CLEAN AIR BOND ACT OF ~~2005~~ 2006

7
8 Article 1. General Provisions
9

10 8879.20. (a) This chapter shall be known as the Safe
11 Facilities, Improved Mobility, and Clean Air Bond Act of ~~2005~~
12 2006.

13 (b) This chapter shall only become operative upon adoption by
14 the voters at the ~~November 7~~ June 6, 2006, election.

15 8879.21. The Legislature finds and declares all of the
16 following:

17 (a) Between 1970 and 1995, California's population increased
18 60 percent and the number of vehicle miles traveled on the state's
19 highway system increased 170 percent, straining the state's
20 already burdened transportation system and increasing the state's
21 serious congestion problems.

22 (b) The volume of United States trade passing through
23 California's ports in the year 2000 was valued at \$439 billion and
24 estimated to be 40 percent of all goods entering the country.
25 Trade in California is estimated to double between now and the
26 year 2020.

27 (c) Congestion in and around California's seaports, airports,
28 and other transportation terminals threatens the state's economy,
29 increases traffic problems, and results in poor air quality,
30 particularly in those communities near port and terminal
31 facilities.

32 (d) California is now home to six of the nation's 25 most
33 congested urban areas. Los Angeles, San Francisco, San Diego,
34 Riverside, San Jose, and Sacramento are on this dubious list. This
35 level of congestion costs Californians millions of dollars in lost
36 time, lost production, and fuel costs.

37 (e) *California's congestion problems and strain on its*
38 *transportation system are made worse by the lack of available*

1 affordable housing in the state's urban areas. To the extent
2 additional affordable housing can be maintained or provided in
3 the state's urban areas, additional traffic and related
4 expenditures on transportation facilities is avoidable, and allows
5 limited transportation resources to be deployed more efficiently.

6 (f) Only 15 percent of families statewide are able to afford the
7 median-priced home in California, now estimated at more than
8 four hundred fifty thousand dollars (\$450,000). California is
9 home to 21 of the 25 least affordable metropolitan areas in the
10 country for home ownership and 9 of the 10 least affordable
11 counties nationwide for renters.

12 (g) Increasingly, California working families endure longer
13 commute times as they seek affordable housing outside of the
14 urban areas in which they work. Commute times in each of the
15 state's 10 most populous counties have risen by double-digit
16 percentages over the last 10 years.

17 (h) Funding approved by the state's voters in 2002 for greater
18 production of affordable housing in California financed the
19 construction, rehabilitation, or preservation of 17,700 affordable
20 apartments, created or rehabilitated 9,055 shelter spaces, and
21 helped nearly 18,000 families become or remain homeowners.
22 Nearly all of the voter-approved funding for affordable housing
23 is expected to be awarded by the end of 2006.

24 (e)

25 (i) Despite increased pressures on the state's transportation
26 system, funds intended for investment in the system have not
27 materialized in recent years, delaying capacity and safety
28 improvements.

29 (f)

30 (j) During the 2003-04 and 2004-05 fiscal years, \$2.1 billion
31 in funding intended to be transferred to the Transportation
32 Improvement Fund (TIF) was retained in the General Fund,
33 denying the state's transportation system funds for improvements
34 and obligating the General Fund to repay those dollars in
35 2007-08 and 2008-09.

36 (g)

37 (k) Funding shortfalls do not just impact traditional
38 transportation facilities. According compromise the state's ability
39 to expand transportation facilities and to fund important safety
40 improvements on those facilities:

1 (1) According to the Department of Water Resources (DWR),
2 the absence of a dedicated funding stream to improve the state's
3 1,600 miles of levees has forced maintenance to be deferred,
4 thereby jeopardizing the structural integrity of the levees that
5 provide flood protection for 200,000 structures, 500,000 people,
6 and two million acres of farmland, estimated to be valued at \$47
7 billion. *Levees also comprise or protect vital portions of the state*
8 *highway system and local streets and roads, all of which would*
9 *be subject to severe damage in the event of levee failure. Major*
10 *affected transportation routes include State Highway Routes 4, 5,*
11 *12, 29, 80, 99, and 160.*

12 (2) According to the Department of Transportation, there are
13 some 500 local bridges and overpasses requiring seismic retrofit
14 work in order to sustain a credible seismic event in California.

15 (3) According to the Public Utilities Commission, there are
16 scores of intersections where motor vehicle traffic crosses
17 increasingly busy railroad lines at grade, creating unsafe
18 conditions. With sufficient funding, many of the highest priority
19 dangerous grade crossings can be improved by grade
20 separations to separate the motor vehicle and train traffic.

21 ~~(h)~~

22 (l) (1) The recently completed environmental studies by the
23 High-Speed Rail Authority determined all of the following:

24 (A) By the year 2020, there will be 11 million more people
25 living in California, who will take 100 million more intercity
26 trips, which will clog up our already congested freeways and
27 airports.

28 (B) A new state-of-the-art high-speed train network serving all
29 major metropolitan areas of the state will best serve the increase
30 in intercity travel demands of the future.

31 (C) The high-speed train network will cost less than one-third
32 of the cost to serve intercity trips on the highways or at the
33 airports.

34 (D) The high-speed train network is far more safe and reliable
35 than the automobile and the ~~plane~~ airplane.

36 (E) The high-speed train network will be more
37 environmentally friendly, save energy, and reduce air pollution.

38 (F) The high-speed train network will improve the state's
39 economy and create 450,000 permanent jobs in California.

1 (2) Therefore, the construction of the high-speed train network
 2 as defined in the authority's final environmental impact report
 3 completed in 2005 is a high-priority transportation infrastructure
 4 project for the state and should be constructed on an incremental
 5 basis. This bond measure would provide the funding necessary
 6 for the first phase and the next four years of activities that can be
 7 accomplished towards building the high-speed train network,
 8 while providing rail improvements to improve the flow and
 9 enhance the safety of passenger and freight rail services in
 10 California.

11 (i)

12 (m) Enactment of the Safe Facilities, Improved Mobility, and
 13 Clean Air Act of ~~2005~~ 2006 would provide needed investment to
 14 make the necessary improvements to relieve traffic congestion,
 15 increase mobility, improve the state's trade corridors, strengthen
 16 the state's levees *and local bridges and overpasses*, improve air
 17 quality, provide incentives for the production of affordable
 18 housing *that will improve traffic flows from suburban to urban*
 19 *areas*, and keep California's economy strong.

20 8879.22. As used in this chapter, the following terms have the
 21 following meanings:

22 (a) "Board" means any department receiving an allocation
 23 from the Department of Finance.

24 (b) "Committee" means the Safe Facilities, Improved
 25 Mobility, and Clean Air Finance Committee created pursuant to
 26 Section 8879.27.

27 (c) "Fund" means the Safe Facilities, Improved Mobility, and
 28 Clean Air Bond Fund of ~~2005~~ 2006 created pursuant to Section
 29 8879.23.

30

31 Article 2. Safe Facilities, Improved Mobility, and Clean Air
 32 Bond Fund of ~~2005~~ 2006 and Program

33

34 8879.23. The Safe Facilities, Improved Mobility, and Clean
 35 Air Bond Fund of ~~2005~~ 2006 is hereby created in the State
 36 Treasury. The proceeds of bonds issued and sold pursuant to this
 37 chapter for the purposes specified in this chapter are hereby
 38 appropriated, without regard to fiscal years, to the ~~Department of~~
 39 ~~Finance~~ *for Secretary of Business, Transportation and Housing*
 40 *for administration and allocation in the following manner:*

1 (a) ~~One billion five hundred million dollars (\$1,500,000,000)~~
2 ~~_____ dollars (\$_____)~~ for projects in the state transportation
3 improvement program, to augment funds otherwise available for
4 this purpose from other sources. The funds provided by this
5 subdivision shall be deposited in the Transportation Facilities
6 Account which is hereby created in the fund, and shall be
7 available ~~for appropriation~~, *upon appropriation by the*
8 *Legislature*, to the Department of Transportation ~~and for~~
9 ~~allocation~~, *as allocated* by the California Transportation
10 Commission.

11 (b) (1) ~~One billion dollars (\$1,000,000,000)~~ ~~_____ dollars~~
12 ~~(\$_____)~~ shall be deposited in the Flood Control Account, which
13 is hereby created in the fund. The money in the account shall be
14 available to the Department of Water Resources, the State
15 Reclamation Board, or any successor agency, upon appropriation
16 by the Legislature, for the inspection, evaluation, improvement,
17 construction, modification, and relocation of flood control levees,
18 weirs, or bypasses constructed in cooperation with the United
19 States, including related environmental mitigations and related
20 infrastructure relocations.

21 (2) The Legislature may enact any legislation as is necessary
22 to implement this subdivision.

23 (c) ~~Two billion three hundred million dollars (\$2,300,000,000)~~
24 ~~_____ dollars (\$_____)~~ for restoration of Proposition 42 (Article
25 XIX B) revenues, to be deposited in the Proposition 42
26 Repayment Account, which is hereby created in the fund. Money
27 deposited in the account shall be used by the Controller, in lieu of
28 moneys from the General Fund, to meet the transfer obligations
29 to the Transportation Deferred Investment Fund specified in
30 Sections 7105 and 7106 of the Revenue and Taxation Code as a
31 result of suspending the transfer of moneys from the General
32 Fund to the Transportation Investment Fund pursuant to Sections
33 14557.1 and 14558 of the Government Code with respect to the
34 2003-04 and 2004-05 fiscal years. Funds deposited in the
35 Transportation Deferred Investment Fund shall be ~~allocated~~
36 *continuously appropriated to the Controller for allocation* as
37 provided in Sections 7105 and 7106 of the Revenue and Taxation
38 Code as those sections read on January 1, 2005.

39 (d) ~~Two billion five hundred million dollars (\$2,500,000,000)~~
40 ~~_____ dollars (\$_____)~~ to be deposited in the California Ports

1 Infrastructure, Security, and Air Quality Improvement Account,
2 which is hereby created in the fund. The money in the account
3 shall be available, *upon appropriation by the Legislature*, as
4 follows:

5 (1) ~~Two billion dollars (\$2,000,000,000)~~ _____ dollars (\$_____)
6 shall be transferred to the Global Gateways Improvement Fund,
7 which is hereby created. The money in this fund shall be
8 available for allocation by the California Transportation
9 Commission for infrastructure improvements along
10 federally-designated “Trade Corridors of National Significance”
11 in this state or along other corridors within this state that have a
12 high volume of freight movement, as determined by the
13 commission. Applicants for these funds shall provide matching
14 funds from other revenues, in a percentage amount to be
15 determined by the commission. In determining projects eligible
16 for funding, the commission shall consult the Global Gateways
17 Development Program report prepared by the Business,
18 Transportation and Housing Agency pursuant to SCR 96
19 (Resolution Chapter 158, Statutes of 2000) or trade corridor
20 improvement projects identified in an approved regional
21 transportation plan. Eligible projects for these funds include all
22 of the following:

23 (A) Highway capacity improvements and operational
24 improvements to more efficiently accommodate the movement of
25 freight, particularly for ingress and egress to and from the state’s
26 seaports, land ports of entry, and airports, and to relieve traffic
27 congestion along major trade or goods movement corridors.

28 (B) Freight rail system improvements to enhance the ability to
29 move goods from seaports, land ports of entry, and airports to
30 warehousing and distribution centers throughout California,
31 including projects that separate rail lines from highway traffic
32 and other projects that improve the efficiency and capacity of the
33 rail freight system.

34 (C) Projects to enhance the capacity and efficiency of ports.

35 (2) ~~Four hundred million dollars (\$400,000,000)~~ _____ dollars
36 (\$_____) shall be available for transfer to the Carl Moyer
37 Memorial Air Quality Standards Attainment Trust Fund, created
38 pursuant to Section 44299 of the Health and Safety Code. Funds
39 under this paragraph shall be available for allocation by the State
40 Air Resources Board to reduce covered emissions from a covered

1 source, as those terms are defined in paragraphs (5) and (7) of
2 subdivision (a) of Section 44275 of the Health and Safety Code,
3 relative to sources used primarily in the operations of ports in this
4 state.

5 ~~(3) One hundred million dollars (\$100,000,000) _____ dollars~~
6 ~~(\$_____)~~ shall be available to the California Infrastructure and
7 Economic Development Bank to be allocated, as grants, for port,
8 harbor, and ferry terminal security improvements. ~~The money~~
9 ~~made available under this paragraph shall be continuously~~
10 ~~appropriated to the bank without regard to fiscal years.~~ Eligible
11 applicants shall be publicly owned ports, harbors, and ferry boat
12 and ferry terminal operators, which may submit applications for
13 the following types of projects:

14 (A) Video surveillance equipment.

15 (B) Explosives detection technology, including, but not
16 limited to, X-ray devices.

17 (C) Cargo scanners.

18 (D) Radiation monitors.

19 (E) Thermal protective equipment.

20 (F) Site identification instruments capable of providing a
21 fingerprint for a broad inventory of chemical agents.

22 (G) Other devices capable of detecting weapons of mass
23 destruction using chemical, biological, or other similar
24 substances.

25 (H) Other security equipment to assist in any of the following:
26 (i) Screening of incoming vessels and incoming or outbound
27 cargo.

28 (ii) Monitoring the physical perimeters of harbors, ports, and
29 ferry terminals.

30 (iii) Providing or augmenting onsite emergency response
31 capability.

32 (I) Overweight cargo detection equipment, including, but not
33 limited to, intermodal crane scales and truck weight scales.

34 (J) Developing disaster preparedness or emergency response
35 plans.

36 ~~(e) One hundred million dollars (\$100,000,000) _____ dollars~~
37 ~~(\$_____)~~ to be deposited in the Transportation Project
38 Enhancement and Mitigation Account, which is hereby created in
39 the fund. The money in the account shall be ~~available for transfer~~
40 *transferred* to the Environmental Enhancement and Mitigation

1 Program Fund created pursuant to Section 164.56 of the Streets
2 and Highways Code, *and shall be continuously appropriated to*
3 *the Department of Transportation* for allocation to projects
4 pursuant to that section.

5 ~~(f) (1) Four hundred twenty-five million dollars~~
6 ~~(\$425,000,000) to be deposited in the Affordable Housing~~
7 ~~Incentive Program Account, which is hereby created in the fund.~~
8 ~~Funds shall be available, upon appropriation, to the California~~
9 ~~Transportation Commission for the purpose of providing~~
10 ~~transportation funding grants, upon application, to cities,~~
11 ~~counties, and cities and counties that meet a significant portion of~~
12 ~~their overall and affordable housing needs. In order to be eligible~~
13 ~~for funds pursuant to this subdivision, a city, county, or city and~~
14 ~~county shall meet all of the following criteria:~~

15 ~~(A) The city, county, or city and county has adopted a revised~~
16 ~~housing element in accordance with Section 65588 that the~~
17 ~~Department of Housing and Community Development has~~
18 ~~determined pursuant to Section 65585 to be in substantial~~
19 ~~compliance with the requirements of Article 10.6 (commencing~~
20 ~~with Section 65580) of Chapter 3 of Division 1 of Title 7. For the~~
21 ~~purposes of this paragraph, an adopted housing element that has~~
22 ~~been self-certified pursuant to Section 65585.1 shall be deemed~~
23 ~~to have been approved by the department, unless a court finds~~
24 ~~that the jurisdiction's housing element does not substantially~~
25 ~~comply with that article.~~

26 ~~(B) The city, county, or city and county has met, as~~
27 ~~determined by the Department of Housing and Community~~
28 ~~Development in accordance with the forms and definitions~~
29 ~~determined by the department pursuant to Section 65400, at least~~
30 ~~80 percent of its annualized overall housing need during the~~
31 ~~preceding year or 80 percent of its overall housing need from the~~
32 ~~beginning of the planning period, as determined pursuant to~~
33 ~~Section 65584.~~

34 ~~(C) The city, county, or city and county has met, as~~
35 ~~determined by the Department of Housing and Community~~
36 ~~Development in accordance with the forms and definitions~~
37 ~~determined by the department pursuant to Section 65400, at least~~
38 ~~30 percent of its annualized housing need for each of the very~~
39 ~~low, low-, and moderate-income categories during the preceding~~
40 ~~year or 30 percent of its overall housing need in each of the very~~

1 ~~low, low-, and moderate-income categories from the beginning~~
2 ~~of the planning period, as determined pursuant to Section 65584.~~

3 ~~(2) The Department of Housing and Community Development~~
4 ~~shall report annually to the California Transportation~~
5 ~~Commission a list of cities, counties, or cities and counties that~~
6 ~~have met the requirements of paragraph (1).~~

7 ~~(3) The California Transportation Commission shall award~~
8 ~~funds available under this section over a five-year period.~~

9 ~~(4) Funds awarded pursuant to this section shall be used for~~
10 ~~improvements to neighborhood streets and roads. Improvements,~~
11 ~~as used in this paragraph, mean those activities described in~~
12 ~~subdivision (e) of Section 7104 of the Revenue and Taxation~~
13 ~~Code.~~

14 *(f) (1) ___ dollars (\$___) to be deposited in the Affordable*
15 *Housing Account, which is hereby created in the fund. The*
16 *money in the account shall be continuously appropriated in*
17 *accordance with the following schedule:*

18 *(A) (i) ___ dollars (\$___) shall be transferred to the*
19 *Housing Rehabilitation Loan Fund to be expended, except as*
20 *provided in subparagraph (B), for the Multifamily Housing*
21 *Program authorized by Chapter 6.7 (commencing with Section*
22 *50675) of Part 2 of Division 31 of the Health and Safety Code.*
23 *The funds shall be expended for homes restricted to persons over*
24 *age 65 years in at least the same proportion as the target*
25 *population over age 65 years in the state bears to the total target*
26 *population in the state as reported in the most recent census of*
27 *the United States Census Bureau.*

28 *(ii) ___ dollars (\$___) shall be transferred to the*
29 *Preservation Opportunity Fund and shall be available for the*
30 *preservation of at-risk housing pursuant to Chapter 5*
31 *(commencing with Section 50600) of Part 2 of Division 31 of the*
32 *Health and Safety Code).*

33 *(B) ___ dollars (\$___) shall be transferred to the*
34 *Emergency Housing and Assistance Fund to be expended for the*
35 *Emergency Housing and Assistance Program authorized by*
36 *Chapter 11.5 (commencing with Section 50800) of Part 2 of*
37 *Division 31 of the Health and Safety Code, except ___ dollars*
38 *(\$___) shall be used to provide housing and shelter*
39 *opportunities for the chronically homeless.*

1 (C) _____ dollars (\$_____) shall be transferred to the Housing
2 Rehabilitation Loan Fund to be expended for the Multifamily
3 Housing Program authorized by Chapter 6.7 (commencing with
4 Section 50675) of Part 2 of Division 31 of the Health and Safety
5 Code, to be used for supportive housing projects for individuals
6 and households moving from emergency shelters or transitional
7 housing or those at risk of homelessness. The Department of
8 Housing and Community Development shall provide for higher
9 per-unit loan limits as reasonably necessary to provide and
10 maintain rents affordable to those individuals and households.
11 For purposes of this subparagraph, “supportive housing” means
12 housing with no limit on length of stay, that is occupied by the
13 target population, as defined in subdivision (d) of Section 53260
14 of the Health and Safety Code, and that is linked to onsite or
15 offsite services that assist the tenant to retain the housing,
16 improve his or her health status, maximize his or her ability to
17 live, and, when possible, work in the community. The criteria for
18 selecting projects shall give priority to:

19 (i) Supportive housing for people with disabilities who would
20 otherwise be at high risk of homelessness where the applications
21 represent collaboration with programs that meet the needs of the
22 person’s disabilities.

23 (ii) Projects that demonstrate funding commitments from local
24 governments for operating subsidies or services funding, or both,
25 for five years or longer.

26 (D) _____ dollars (\$_____) shall be transferred to the Joe
27 Serna, Jr. Farmworker Housing Grant Fund to be expended for
28 farmworker housing programs authorized by Chapter 3.2
29 (commencing with Section 50517.5) of Part 2 of Division 31 of
30 the Health and Safety Code.

31 (E) _____ dollars (\$_____) shall be transferred to the Self-Help
32 Housing Fund. These funds shall be available to the Department
33 of Housing and Community Development, to be expended for the
34 purposes of the CalHome Program authorized by Chapter 6
35 (commencing with Section 50650) of Part 2 of Division 31 of the
36 Health and Safety Code, except _____ dollars (\$_____) shall be
37 expended for construction management under the California
38 Self-Help Housing Program pursuant to subdivision (b) of
39 Section 50696 of the Health and Safety Code.

1 (F) _____ dollars (\$_____) shall be used for matching grants to
2 local housing trust funds for any purpose authorized under the
3 programs funded in subparagraphs (A) to (E), inclusive, and
4 subparagraph(G) that increases the supply of emergency
5 shelters, transitional homes, and permanent homes. Grants shall
6 be awarded pursuant to Section 50843 of the Health and Safety
7 Code.

8 (G) _____ dollars (\$_____) shall be transferred to the Self-Help
9 Housing Fund. These funds shall be available to the California
10 Housing Finance Agency, to be expended for the purposes of the
11 California Homebuyer’s Downpayment Assistance Program
12 authorized by Chapter 11 (commencing with Section 51500) of
13 Part 3 of Division 31 of the Health and Safety Code. Up to _____
14 dollars (\$_____) of these funds may be expended pursuant to
15 subdivision (b) of Section 51504 of the Health and Safety Code.

16 (2) The Legislature may, from time to time, amend the
17 provisions of law related to programs to which funds are, or
18 have been, allocated pursuant to this subdivision for the purpose
19 of improving the efficiency and effectiveness of the program, or
20 for the purpose of furthering the goals of the program.

21 (3) The Bureau of State Audits shall conduct periodic audits to
22 ensure that bond proceeds are awarded in a timely fashion and
23 in a manner consistent with the requirements of this subdivision,
24 and that awardees of bond proceeds are using funds in
25 compliance with applicable provisions of this subdivision. The
26 first audit shall be conducted no later than one year from voter
27 approval of this chapter.

28 (4) The Department of Housing and Community Development
29 shall issue a report to the chairs of the Senate Transportation
30 and Housing Committee and Assembly Housing and Community
31 Development Committee by March 31 of each year showing how
32 funds that were made available pursuant this subdivision and
33 that were allocated in the prior year were expended. The
34 department also shall make the report available to the public.

35 (g) ~~Nine hundred seventy-five million dollars (\$975,000,000)~~
36 _____ dollars (\$_____) to be deposited in the Regional Housing
37 and Community Growth Incentive Account, which is hereby
38 created in the fund. The money in the account shall be ~~available~~
39 *continuously appropriated* as follows:

1 (1) ~~Twenty-five million dollars (\$25,000,000)~~ _____ dollars
2 (\$____) shall be available to the secretary for grants for the
3 development of regional growth plans in accordance with the
4 following schedule:

5 (A) Grants to regional agencies with a population of one
6 million or more: ~~fifteen million dollars (\$15,000,000)~~ _____
7 dollars (\$_____).

8 (B) Grants to regional agencies with a population of under one
9 million: ~~ten million dollars (\$10,000,000)~~ _____ dollars (\$_____).

10 (2) ~~Seventy-five million dollars (\$75,000,000)~~ _____ dollars
11 (\$____) shall be available to the secretary for grants to regional
12 agencies for the establishment of revolving funds and for grants,
13 to pay the costs incurred by local governments within the region
14 to identify, review, and adopt any land use policies including
15 amendments to general plans, community or neighborhood plans,
16 zoning codes, subdivision codes, guidelines or planning policies
17 necessary to authorize urban infill development in an area
18 designated for that development in a regional growth plan.
19 Eligible costs include those associated with compliance with
20 Division 13 (commencing with Section 21000) of the Public
21 Resources Code and costs necessary to conduct public outreach
22 programs and facilitate citizen involvement in the plan
23 development and approval process. Any fees recovered from
24 project applicants that benefit from the plans and environmental
25 review funded under this subdivision shall be transferred to the
26 regional agency for use for the purposes of this subdivision or
27 returned to the state at such time and under such terms as the
28 secretary determines that further use of loan funds for these
29 purposes is not required.

30 (3) ~~Two hundred million dollars (\$200,000,000)~~ _____ dollars
31 (\$____) shall be available to the Secretary of Resources for
32 competitive grants based on regional growth plans as follows:

33 (A) Grants shall be for the acquisition of wildlife habitat, open
34 space, and easements on agricultural land consistent with an
35 adopted and certified regional growth plan that contains a
36 resource conservation element that analyzes and identifies
37 mitigation for significant impacts on those resources considered
38 in the regional growth plan.

39 (B) The regional agency may allow project applicants whose
40 projects conform to the regional growth strategy to mitigate all or

1 a portion of their impacts on wildlife habitat, agricultural lands
2 and open space by payment of a fee, equal to the proportional
3 impacts of the project.

4 (C) The Secretary of Resources shall award grants pursuant to
5 this paragraph based on the applicant's demonstration, as
6 reviewed by the appropriate department within the Resources
7 Agency, that the grant will promote the following:

8 (i) Long term sustainable protection of wildlife habitat,
9 wildlife corridors, and prime agricultural land within the region.

10 (ii) The use of the grant funds will assist in the implementation
11 of land use policies of the regional growth plan, state planning
12 priorities specified pursuant to Section 65041.1 of the
13 Government Code, and with state policies for regional growth
14 that are consistent with those priorities, including the provisions
15 of SB 832 of the 2005-06 Regular Session, if that legislation is
16 enacted.

17 (iii) The use of the grant funds is consistent with other wildlife
18 protection plans and strategies within the region including any
19 natural community conservation plans, habitat conservation
20 plans, state approved open-space plans, or other regional
21 conservation plans.

22 ~~(iv) Project applicants are required to pay a fee equal to their
23 proportional impacts.~~

24 ~~(v) All fees paid pursuant to paragraph (iv) are used by the
25 regional agencies for additional conservation projects consistent
26 with the provisions of this paragraph or are returned to the state
27 under such terms as the secretary shall determine.~~

28 (D) No grant shall be made until an implementing agreement
29 has been executed between the secretary and the regional agency
30 that includes:

31 (i) Provisions identifying the conservation goals, scope and
32 geographical coverage of the plan.

33 (ii) Provisions identifying which public agencies or nonprofit
34 organizations will be responsible for acquisition, management,
35 and monitoring of conservation lands and easements under the
36 grant. To the extent feasible, public agencies responsible for
37 similar conservation activities should be used wherever that
38 capacity already exists in the region.

39 (iii) Provisions to ensure the monitoring of easements and the
40 protection of habitat values on lands acquired.

1 (iv) Provisions for the determination of mitigation credits and
2 fees, where applicable, and for the use of fees for additional
3 conservation expenditures under the plan.

4 (E) The secretary may impose such other conditions as are
5 necessary to meet the goals of this subdivision.

6 (4) (A) ~~Four hundred twenty-five million dollars~~
7 ~~(\$425,000,000)~~ _____ dollars (\$____) shall be available to the
8 secretary for competitive infill incentive grants to local public
9 agencies that meet the following criteria:

10 (i) The local public agency is included in a regional growth
11 plan.

12 (ii) The local public agency has conformed its local planning
13 to the regional growth plan by adopting any land use policies
14 including amendments to its general plan, community or
15 neighborhood plans, zoning codes, subdivision codes, guidelines,
16 and ~~polices~~ *policies* necessary to provide for growth in those
17 areas designated for urban development and prohibiting or
18 limiting growth in those areas designated for other than urban
19 uses consistent with the regional growth plan.

20 (iii) The region meets the requirements for local plan
21 consistency for that round of grant funding.

22 (B) Grants pursuant to this paragraph shall be issued in four
23 annual grant cycles beginning two years after the enactment of
24 this chapter. To be eligible for a grant cycle, local public
25 agencies covering not less than the percentage of population in
26 the applicable region specified below must have met the
27 requirements of paragraph (ii). Conformity requirements for each
28 cycle are as follows:

29 (i) Grant cycle 1: 25 percent.

30 (ii) Grant cycle 2: 50 percent.

31 (iii) Grant cycle 3: 75 percent.

32 (iv) Grant cycle 4: 90 percent.

33 (C) The secretary shall establish additional criteria for the
34 award of infill incentive grants to local agencies based on the
35 degree to which the grants will assist the local public agency in
36 increasing infill development and urban revitalization in an area
37 designated by the regional growth plan for such development.

38 (D) Grant funds may be used for any capital outlay purpose
39 consistent with this subdivision including, but not limited to:

- 1 (i) Creation, development and rehabilitation of urban parks,
2 river parkways, and other public recreational facilities.
- 3 (ii) Urban greening projects including tree planting,
4 community landscaping and other improvements to enhance the
5 enjoyment and livability of urban neighborhoods.
- 6 (iii) Water, sewer, or other public utility infrastructure costs
7 associated with infill development.
- 8 (iv) Street, road or other transportation improvements
9 including transit improvements, bikeways, trolleys, and
10 pedestrian facilities.
- 11 ~~(5) Two hundred million dollars (\$200,000,000) shall be~~
12 ~~transferred to the Housing Rehabilitation Loan Fund to be~~
13 ~~expended pursuant to the Multifamily Housing Program~~
14 ~~authorized by Chapter 6.7 (commencing with Section 50675) of~~
15 ~~Part 2 of Division 31 of the Health and Safety Code to be used~~
16 ~~for projects that meet either of the following criteria:~~
 - 17 ~~(A) The project is located in an area designated for infill~~
18 ~~development by a regional growth plan.~~
 - 19 ~~(B) The project qualifies for an exemption from the California~~
20 ~~Environmental Quality Act pursuant to Sections 21159.22,~~
21 ~~21159.23, or 21159.24 of the Public Resources Code.~~
- 22 ~~(6) Fifty million dollars (\$50,000,000)~~
23 (5) _____ dollars (\$_____) shall be transferred to the Orphan
24 Share Reimbursement Trust Fund to be expended by the
25 administrator pursuant to the provisions of the Orphan Share
26 Reimbursement Trust Fund established pursuant to Article 7.8
27 (commencing with Section 25390) of Chapter 6.8 of Division 20
28 of the Health and Safety Code to be used for projects that are
29 located in an area designated for infill development by a regional
30 growth plan.
- 31 ~~(7)~~
32 (6) The following definitions apply to this subdivision:
 - 33 (A) “Secretary” means the Secretary of Business,
34 Transportation and Housing.
 - 35 (B) “Neighborhood plan” means a plan that meets the
36 requirements of Section 65458 of the Government Code.
 - 37 (C) “Regional agency” means a federally designated
38 metropolitan planning organization, or a council of governments
39 working with a metropolitan planning organization, for a region
40 with a population of greater than one million. It is the intent of

1 the Legislature that standards and procedures for the designation
2 of regional agencies in areas of less than one million in
3 population shall be enacted by statute not later than January
4 2007.

5 (D) “Regional Growth Plan” is a plan that meets the
6 requirements established in Section 65099 of the Government
7 Code for planning or incentive grants.

8 (E) “Infill development” means residential or mixed
9 commercial and residential development on an infill site as
10 defined in Section 21061.5 of the Public Resources Code, or in
11 an area of an incorporated city that is predominantly developed
12 with qualified urban uses and which has been designated for
13 infill development by a regional growth plan.

14 (h) (1) ~~Two hundred million dollars (\$200,000,000)~~ _____
15 *dollars (\$_____)* shall be deposited in the Flood Control Matching
16 Account, which is hereby created in the fund. The money in the
17 account shall be available, *upon appropriation by the*
18 *Legislature*, to the Department of Water Resources for the
19 purposes of funding the state’s share of the nonfederal costs of
20 flood control and flood prevention projects adopted and
21 authorized as of January 1, 1999, under the State Water
22 Resources Law of 1945 (Chapter 1 (commencing with Section
23 12570) and Chapter 2 (commencing with Section 12639) of Part
24 6 of Division 6 of the Water Code), the Flood Control Law of
25 1946 (Chapter 3 (commencing with Section 12800) of Part 6 of
26 Division 6 of the Water Code), and the California Watershed
27 Protection and Flood Prevention Law (Chapter 4 (commencing
28 with Section 12850) of Part 6 of Division 6 of the Water Code),
29 including the credits and loans to local agencies pursuant to
30 Sections 12585.3 and 12585.4, subdivision (d) of Section
31 12585.5, and Sections 12866.3 and 12866.4 of the Water Code,
32 and to implement Chapter 3.5 (commencing with Section 12840)
33 of Part 6 of Division 6 of the Water Code.

34 (2) It is the intent of the Legislature that the state’s share of the
35 nonfederal costs of projects for flood control and flood
36 prevention adopted and authorized after January 1, 2001, shall
37 not exceed that portion of the nonfederal costs authorized
38 pursuant to Chapter 1, (commencing with Section 12570) of Part
39 6 of Division 6 of the Water Code, or any amendments thereto.

1 (i) (1) ~~One billion dollars (\$1,000,000,000)~~ _____ *dollars*
2 (\$____) to be deposited in the California Rail Corridor
3 Improvement Account, which is hereby created in the fund.
4 Funds shall be available, upon appropriation by the Legislature,
5 to the High-Speed Rail Authority created pursuant to Division
6 19.5 (commencing with Section 185000) of the Public Utilities
7 Code, without regard to fiscal year, for expenditure pursuant to
8 paragraph (2).

9 (2) Funds made available pursuant to this subdivision shall be
10 expended for the following specific corridor segments and
11 purposes:

12 (A) ~~Two hundred million dollars (\$200,000,000)~~ _____ *dollars*
13 (\$____) for the Los Angeles-Irvine segment of the LOSSAN
14 corridor, for project-specific level environmental studies,
15 planning, engineering, right-of-way acquisition, and construction
16 of grade separations, bridges, and tracks. The authority shall
17 develop a consolidated rail plan for the development of passenger
18 rail services in the portion of the LOSSAN corridor between Los
19 Angeles and Irvine. The plan shall formulate strategies to
20 integrate commuter and intercity passenger rail systems and
21 existing rail freight services operating in the corridor segment,
22 improve interfaces with connecting services, and coordinate
23 investments with transit-supportive land use. The plan shall be
24 developed in cooperation with the Los Angeles County
25 Metropolitan Transportation Authority (MTA) and the Orange
26 County Transportation Authority (OCTA). The authority shall
27 provide day-to-day management and technical support for the
28 development of the plan with advice from MTA and OCTA, with
29 input from other Los Angeles and Orange County transportation
30 agencies, the Department of Transportation, Amtrak, railroad
31 freight operators, any other affected agencies, and the general
32 public. The funds may not be used for any right-of-way or
33 construction projects or activity until the final consolidated rail
34 plan is adopted by the authority, MTA, and OCTA.

35 (B) ~~Two hundred million (\$200,000,000)~~ _____ *dollars*
36 (\$____) for the Los Angeles-Riverside-San Diego corridor
37 segment, for project-specific level environmental studies,
38 planning, engineering, right-of-way acquisition, and construction
39 of grade separations, bridges, and tracks. The authority shall
40 develop a consolidated rail plan for the development of passenger

1 rail services in the corridor segment between Los Angeles and
2 Riverside. The plan shall formulate strategies to integrate
3 commuter and intercity passenger rail systems and existing rail
4 freight services operating in the corridor segment, improve
5 interfaces with connecting services, and coordinate investments
6 with transit-supportive land use. The plan shall be developed in
7 cooperation with the Los Angeles County Metropolitan
8 Transportation Authority (MTA) and the Riverside County
9 Transportation Commission (RCTC). The authority shall provide
10 day-to-day management and technical support for the
11 development of the plan with advice from MTA and RCTC, with
12 input from other Los Angeles, San Bernardino, and Riverside
13 County transportation agencies, the Department of
14 Transportation, Amtrak, railroad freight operators, any other
15 affected agencies, and the general public. The funds may not be
16 used for any right-of-way or construction projects or activity
17 until the final consolidated rail plan is adopted by the authority,
18 MTA, and RCTC.

19 (C) ~~Two hundred million dollars (\$200,000,000)~~ _____ dollars
20 (\$____) for the Los Angeles-Palmdale-Bakersfield corridor
21 segment, for project-specific level environmental studies,
22 planning, engineering, right-of-way acquisition, and construction
23 of grade separations, bridges, and tracks.

24 (D) ~~Two hundred million dollars (\$200,000,000)~~ _____ dollars
25 (\$____) for the Bakersfield-Merced corridor segment, for
26 project-specific level environmental studies, planning,
27 engineering, right-of-way acquisition, and construction of grade
28 separations, bridges, and tracks.

29 (E) ~~Two hundred million dollars (\$200,000,000)~~ _____ dollars
30 (\$____) for the Merced-Bay Area corridor segment, for
31 project-specific level environmental studies, planning,
32 engineering, right-of-way acquisition, and construction of grade
33 separations, bridges, and tracks.

34 (3) The authority may transfer funds between the corridor
35 segments identified in paragraph (2) if all of the following
36 conditions are met:

37 (A) The availability of matching funds in a particular corridor
38 segment will result in a lower cost to the state for the
39 construction of the entire network.

1 (B) The total amount of transfers does not exceed ~~two hundred~~
2 ~~million dollars (\$200,000,000)~~ ____ dollars (\$____).

3 (C) Not more than one-third of the funds specified in
4 paragraph (2) for any corridor segment are transferred.

5 (4) The authority may not use funds made available under this
6 subdivision for right-of-way acquisition or construction in the
7 Los Angeles-Irvine or Los Angeles-Riverside corridor segments
8 until a consolidated rail plan is adopted pursuant to paragraph
9 (2). If a consolidated rail plan has not been adopted by 2010, the
10 authority may transfer funds from a corridor segment that lacks
11 an adopted plan to another corridor segment. That transfer shall
12 not be subject to the conditions of paragraph (3).

13 (5) Notwithstanding paragraph (2), the authority may use the
14 funds made available pursuant to paragraph (2) for the following
15 additional purposes without regard to corridor segment:

16 (A) Matching federal funds made available for high-speed
17 train purposes not specified in paragraph (2).

18 (B) Planning, development, certification, and selection of a
19 high-speed train system, including, but not limited to, rolling
20 stock, signal systems, and electric power systems.

21 (6) As used in this subdivision, the following terms have the
22 following meanings:

23 (A) “Authority” means the High-Speed Rail Authority.

24 (B) “High-speed train network” means the tracks, stations,
25 rolling stock, and related facilities that are necessary for the
26 operation of the high-speed train service as is further defined
27 under the preferred alternatives section in the program level
28 environmental report issued by the authority in 2005.

29 (C) “High-speed train project” means all activities that are
30 necessary for the construction and operation of the high-speed
31 train network.

32 (j) ~~Two hundred seventy-five million dollars (\$275,000,000)~~
33 ____ dollars (\$____) to be deposited in the Transit-Oriented
34 Development Account, which is hereby created in the fund, for
35 transfer to the Transit-Oriented Development Implementation
36 Fund, for expenditure, *upon appropriation by the Legislature*,
37 pursuant to the Transit-Oriented Development Implementation
38 Program authorized by Chapter 3.6 (commencing with Section
39 50535) of Part 2 of Division 31 of the Health and Safety Code.

1 (k) _____ dollars (\$_____) to be deposited in the Local Bridge
2 Seismic Retrofit Account, which is hereby created in the fund.
3 The funds in the account shall be used, upon appropriation by
4 the Legislature, to provide the 11.5 percent required match for
5 federal Highway Bridge Replacement and Repair funds available
6 to the state for seismic work on local bridges and overpasses, as
7 identified by the Department of Transportation.

8 (l) _____ dollars (\$_____) to be deposited in the State-Local
9 Partnership Program Account, which is hereby created in the
10 fund. The funds shall be available, upon appropriation by the
11 Legislature, for allocation by the California Transportation
12 Commission to transportation projects nominated by counties in
13 which voters have adopted a transportation transactions and use
14 tax. A dollar for dollar match of local funds shall be required for
15 a county to receive state funds under this program.

16 (m) _____ dollars (\$_____) to be deposited in the Transit System
17 Security Account, which is hereby created in the fund. Funds in
18 the account shall be available, upon appropriation by the
19 Legislature, for allocation to transit and rail operators for
20 capital projects that provide increased protection against a
21 security and safety threat. Fifty percent of available funds shall
22 be allocated to transit and rail operators based on the federal
23 funding formula applicable to federal homeland security funds
24 made available to the state for this purpose, which formula
25 includes a risk assessment of large transit systems conducted by
26 the federal Office for Domestic Preparedness. The remaining 50
27 percent of available funds in the account shall be available for
28 allocation to transit operators in a manner that maximizes the
29 use of available federal funds made available to this state for
30 transit security purposes, matches funds to the highest priority
31 projects based on a risk assessment performed by the state Office
32 of Homeland Security, and provides funds first to projects that
33 are in the construction phase or otherwise can be completed in
34 the quickest possible timeframe. The Office of Homeland Security
35 shall report to the Legislature on March 1 of each year on how
36 funds in this account were expended for that fiscal year.

37 (n) _____ dollars (\$_____) to be deposited in the Grade
38 Separation Account, which is hereby created in the fund. Funds
39 in the account shall be continuously appropriated to the
40 Department of Transportation and made available for allocation

1 *pursuant to the process established in Chapter 10 (commencing*
 2 *with Section 2450) of Division 3 of the Streets and Highways*
 3 *Code, except that a dollar for dollar match of nonstate funds*
 4 *shall be provided for each project, and the limitation on*
 5 *maximum project cost in subdivision (g) of Section 2454 shall not*
 6 *be applicable to projects funded with these funds. Before*
 7 *allocating funds from this account for any project or projects, the*
 8 *commission shall coordinate and consult with the department*
 9 *and the High-Speed Rail Authority.*

10

11 Article 3. Fiscal Provisions

12

13 8879.25. Bonds in the total amount of ~~ten billion two hundred~~
 14 ~~seventy-five million dollars (\$10,275,000,000);~~ ____ dollars
 15 (\$____), exclusive of refunding bonds, or so much thereof as is
 16 necessary, are hereby authorized to be issued and sold for
 17 carrying out the purposes expressed in this chapter and to
 18 reimburse the General Obligation Bond Expense Revolving Fund
 19 pursuant to Section 16724.5. All bonds herein authorized which
 20 have been duly sold and delivered as provided herein shall
 21 constitute valid and legally binding general obligations of the
 22 state, and the full faith and credit of the state is hereby pledged
 23 for the punctual payment of both principal and interest thereof.

24

25 8879.26. The bonds authorized by this chapter shall be
 26 prepared, executed, issued, sold, paid, and redeemed as provided
 27 in the State General Obligation Bond Law (Chapter 4
 28 (commencing with Section 16720) of Part 3 of Division 4),
 29 except Section 16727, and all of the other provisions of that law
 30 as amended from time to time apply to the bonds and to this
 31 chapter and are hereby incorporated in this chapter as though set
 32 forth in full in this chapter.

32

33 8879.27. (a) Solely for the purpose of authorizing the
 34 issuance and sale, pursuant to the State General Obligation Bond
 35 Law, of the bonds authorized by this chapter, the Safe Facilities,
 36 Improved Mobility, and Clean Air Finance Committee is hereby
 37 created. For the purposes of this chapter, the Safe Facilities,
 38 Improved Mobility, and Clean Air Finance Committee is “the
 39 committee” as that term is used in the State General Obligation
 40 Bond Law. The committee consists of the Treasurer, the
 Controller, the Director of Finance, and the Secretary of the

1 Business, Transportation and Housing Agency, or a designated
2 representative of each of those officials. The Treasurer shall
3 serve as the chairperson of the committee. A majority of the
4 committee may act for the committee.

5 (b) The committee may adopt guidelines establishing
6 requirements for administration of its financing programs to the
7 extent necessary to protect the validity of, and tax exemption for,
8 interest on the bonds. The guidelines shall not constitute rules,
9 regulations, orders, or standards of general application.

10 (c) For the purposes of the State General Obligation Bond
11 Law, any department receiving an allocation from the
12 Department of Finance is designated to be the “board.”

13 8879.28. Upon request of the board stating that funds are
14 needed for purposes of this chapter, the committee shall
15 determine whether or not it is necessary or desirable to issue
16 bonds authorized pursuant to this chapter in order to carry out the
17 actions specified in Section 8879.23, and, if so, the amount of
18 bonds to be issued and sold. Successive issues of bonds may be
19 authorized and sold to carry out those actions progressively, and
20 be sold at any one time. Bonds may bear interest subject to
21 federal income tax.

22 8879.29. There shall be collected annually, in the same
23 manner and at the same time as other state revenue is collected, a
24 sum of money in addition to the ordinary revenues of the state,
25 sufficient to pay the principal of, and interest on, the bonds as
26 provided herein, and all officers required by law to perform any
27 duty in regard to the collections of state revenues shall collect
28 that additional sum.

29 8879.30. Notwithstanding Section 13340, there is hereby
30 appropriated from the General Fund in the State Treasury, for the
31 purposes of this chapter, an amount that will equal the total of the
32 following:

33 (a) The sum annually necessary to pay the principal of, and
34 interest on, bonds issued and sold pursuant to this chapter, as the
35 principal and interest become due and payable.

36 (b) The sum which is necessary to carry out Section 8879.32,
37 appropriated without regard to fiscal years.

38 8879.31. The board may request the Pooled Money
39 Investment Board to make a loan from the Pooled Money
40 Investment Account, in accordance with Section 16312, for

1 purposes of this chapter. The amount of the request shall not
2 exceed the amount of the unsold bonds which the committee has,
3 by resolution, authorized to be sold for the purpose of this
4 chapter, less any amount withdrawn pursuant to Section 8879.32.
5 The board shall execute any documents as required by the Pooled
6 Money Investment Board to obtain and repay the loan. Any
7 amount loaned shall be deposited in the fund to be allocated in
8 accordance with this chapter.

9 8879.32. For the purpose of carrying out this chapter, the
10 Director of Finance may, by executive order, authorize the
11 withdrawal from the General Fund of any amount or amounts not
12 to exceed the amount of the unsold bonds which the committee
13 has, by resolution, authorized to be sold for the purpose of
14 carrying out this chapter. Any amounts withdrawn shall be
15 deposited in the Safe Facilities, Improved Mobility, and Clean
16 Air Bond Fund of ~~2005~~ 2006. Any money made available under
17 this section shall be returned to the General Fund, plus the
18 interest that the amounts would have earned in the Pooled Money
19 Investment Account, from money received from the sale of
20 bonds which would otherwise be deposited in that fund.

21 8879.33. The bonds may be refunded in accordance with
22 Article 6 (commencing with Section 16780) of the State General
23 Obligation Bond Law. Approval by the electors of this act shall
24 constitute approval of any refunding bonds issued pursuant to the
25 State General Obligation Bond Law.

26 8879.34. Notwithstanding any provisions in the State General
27 Obligation Bond Law, the maximum maturity of any bonds
28 authorized by this chapter shall not exceed 30 years from the date
29 of each respective series. The maturity of each series shall be
30 calculated from the date of each series.

31 8879.35. The Legislature hereby finds and declares that,
32 inasmuch as the proceeds from the sale of bonds authorized by
33 this chapter are not “proceeds of taxes” as that term is used in
34 Article XIII B of the California Constitution, the disbursement of
35 these proceeds is not subject to the limitations imposed by that
36 article.

37 8879.36. Notwithstanding any provision of the State General
38 Obligation Bond Law with regard to the proceeds from the sale
39 of bonds authorized by this chapter that are subject to investment
40 under Article 4 (commencing with Section 16470) of Chapter 3

1 of Part 2 of Division 4, the Treasurer may maintain a separate
 2 account for investment earnings, order the payment of those
 3 earnings to comply with any rebate requirement applicable under
 4 federal law, and may otherwise direct the use and investment of
 5 those proceeds so as to maintain the tax-exempt status of those
 6 bonds and to obtain any other advantage under federal law on
 7 behalf of the funds of this state.

8 ~~SEC. 1.3.~~

9 *SEC. 2.* Chapter 3.6 (commencing with Section 50535) is
 10 added to Part 2 of Division 31 of the Health and Safety Code, to
 11 read:

12
 13 CHAPTER 3.6. TRANSIT-ORIENTED DEVELOPMENT
 14 IMPLEMENTATION PROGRAM
 15

16 50535. There is hereby established the Transit-Oriented
 17 Development Implementation Program, to be administered by the
 18 Department of Housing and Community Development, to
 19 provide local assistance to cities, counties, cities and counties,
 20 transit agencies, and developers for the purpose of developing or
 21 facilitating the development of higher density uses within close
 22 proximity to transit stations that will increase public transit
 23 ridership.

24 50535.1. (a) There is hereby created in the State Treasury the
 25 Transit-Oriented Development Implementation Fund.

26 ~~(b) Notwithstanding Section 13340 of the Government Code,~~
 27 ~~all money in the fund, including any interest on loans made from~~
 28 ~~the fund, is hereby continuously appropriated to the department~~
 29 ~~for the purpose of carrying out this chapter.~~

30 *(b) Interest on loans made from the fund shall be deposited in*
 31 *the fund.*

32 (c) All interest, dividends, and pecuniary gains from
 33 investments or deposits of moneys in the fund shall accrue to the
 34 fund, notwithstanding Section 16305.7 of the Government Code.
 35 There shall be paid into the fund all of the following:

36 (1) Any moneys appropriated and made available by the
 37 Legislature for the purposes of the fund.

38 (2) Any moneys that the department receives in repayment of
 39 loans made from the fund, including any interest on loans made
 40 from the fund.

1 (3) Any other moneys that may be made available to the
2 department for the purposes of this chapter from any other
3 source.

4 50535.2. (a) To the extent that funds are available, the
5 department shall make grants to cities, counties, cities and
6 counties, or transit agencies for the provision of infrastructure
7 necessary for the development of higher density uses within close
8 proximity to a transit station, or to facilitate connections between
9 that development and the station.

10 (b) To the extent that funds are available, the department shall
11 make loans for the development and construction of a housing
12 development project within close proximity to a transit station.
13 To be eligible for a loan, at least 15 percent of the units in the
14 proposed development shall be made available at an affordable
15 rent or at an affordable housing cost to persons of very low or
16 low income for at least 55 years. Developments assisted pursuant
17 to this subdivision shall be on parcels at least a portion of which
18 are located within one-quarter mile of a transit station. A housing
19 development project may include a mixed-use development
20 consisting of residential and nonresidential uses.

21 (c) As used in this chapter, “transit station” shall have the
22 same meaning as defined in subdivision (b) of Section 65460.1 of
23 the Government Code.

24 50535.3. (a) In ranking applications pursuant to this chapter,
25 the department shall, among other criteria, consider the extent to
26 which the project or development will increase public transit
27 ridership and minimize automobile trips.

28 (b) The department shall also grant bonus points to projects or
29 developments that are within the boundaries of a transit village
30 development plan adopted pursuant to the Transit Village
31 Development Planning Act of 1994 (Article 8.5 (commencing
32 with Section 65460) of Chapter 3 of Division 1 of Title 7 of the
33 Government Code) or that are in an area designated by the
34 appropriate council of governments for infill development as part
35 of a regional plan.

36 50535.4. (a) The department may use up to 5 percent of the
37 funds appropriated for the purposes of this chapter for its costs in
38 administering the programs authorized by this chapter.

39 (b) The department may administer the programs pursuant to
40 guidelines that shall not be subject to the requirements of Chapter

1 3.5 (commencing with Section 11340) of Division 3 of Title 2 of
2 the Government Code.

3 50535.5. This chapter shall become operative only if the
4 voters approve the Safe Facilities, Improved Mobility, and Clean
5 Air Bond Act of ~~2005~~ 2006, as contained in SB 1024 of the
6 2005-06 Regular Session.

7 ~~SEC. 1.7.~~

8 *SEC. 3.* Section ~~2704.21~~2704.22 is added to the Streets and
9 Highways Code, to read:

10 ~~2704.21.~~

11 2704.22. If the voters approve the Safe Facilities, Improved
12 Mobility, and Clean Air Bond Act of ~~2005~~ 2006, as contained in
13 SB 1024 of the 2005-06 Regular Session, this chapter shall be
14 repealed on the date of that approval, and no bonds shall be sold
15 pursuant to this chapter, and, notwithstanding any other provision
16 of law, the bond act that is the subject of this chapter shall not be
17 placed on the ballot if it has not yet appeared on a ballot.

18 ~~SEC. 2.~~

19 *SEC. 4.* Section 1 of this act shall become operative upon
20 adoption by the voters of the Safe Facilities, Improved Mobility,
21 and Clean Air Bond Act of ~~2005~~ 2006, as set forth in Section 1 of
22 this act.

23 ~~SEC. 3.~~

24 *SEC. 5.* (a) Notwithstanding Sections 9040, 9043, 9044,
25 9061, and 9094 of the Elections Code, or any other provision of
26 law, the Secretary of State shall submit Section 1 of this act to
27 the voters at the ~~November 7, 2006~~ June 6, 2006, election.

28 (b) The Secretary of State shall ensure the placement of
29 Section 1 of this act on the ~~November 7, 2006~~ June 6, 2006,
30 election ballot, in substantial compliance with any statutory time
31 requirements applicable to the submission of statewide measures
32 to the voters at a statewide election.

33 (c) The Secretary of State shall include, in the ballot pamphlet
34 mailed pursuant to Section 9094 of the Elections Code, the
35 information specified in Section 9084 of that code regarding the
36 bond act contained in Section 1 of this act.

37 (d) *Notwithstanding subdivisions (a), (b), and (c), the*
38 *Secretary of State shall not submit Section 1 of this act to the*
39 *voters unless the act enacting this section becomes operative*
40 *before April 1, 2006.*

1 ~~SEC. 4.~~

2 *SEC. 6.* Notwithstanding any other provision of law, all
3 ballots shall have printed thereon and in a square thereof, the
4 words: “ Safe Facilities, Improved Mobility, and Clean Air Bond
5 Act of ~~2005~~ 2006,” and in the same square under those words,
6 the following in 8-point type: “This act provides for a bond issue
7 of ~~ten billion two hundred seventy-five million dollars~~
8 ~~(\$10,275,000,000)~~ ____ *dollars* (\$____) to provide funds for an
9 essential *transportation and public works facilities* ~~retrofit~~
10 *improvement* program.” Opposite the square, there shall be left
11 spaces in which the voters may place a cross in the manner
12 required by law to indicate whether they vote for or against the
13 act.

14 Where the voting in the election is done by means of voting
15 machines used pursuant to law in the manner that carries out the
16 intent of this section, the use of the voting machines and the
17 expression of the voters’ choice by means thereof are in
18 compliance with this section.

19 ~~SEC. 5.~~ ~~This act is an urgency statute necessary for the~~
20 ~~immediate preservation of the public peace, health, or safety~~
21 ~~within the meaning of Article IV of the Constitution and shall go~~
22 ~~into immediate effect. The facts constituting the necessity are:~~

23 ~~In order for this act to be submitted to voters at the earliest~~
24 ~~possible time, it is necessary for this act to take effect~~
25 ~~immediately.~~

26
27
28 CORRECTIONS:
29 Text - Page 20.
30

Senate Transportation Subcommittee on California Ports and Goods Movement

Goods Movement Action Plan Briefing
Director Will Kempton
November 15, 2005
Oakland

Acknowledgments:

Senator Torlakson and Senator Perata

Port of Oakland

Co-Chairs of the Goods Movement Action Plan Working Groups

Introduction

- The goods movement industry is a major financial engine in California . . . and growing.
- Responsible for one out of seven California jobs.
- Cargo volume will double in 15 years (growing in Southern California faster than 2000 projections).
- Large infrastructure planning and investments will be needed.

Challenges

- Congestion: Goods movement is a major contributor to traffic congestion and a bottleneck to future growth.
- Pollution: By 2020, port-related emissions will be Los Angeles' biggest pollution source. Must address environmental and community impacts.
- Homeland Security: Federal government must do more to inspect and secure containers at point of origin. Ports require better physical security. Increased federal funding to California is justified.
- Other challenges: community resistance, ships arguably not subject to state regulation, business community resistance, Federal cooperation, legislative authority.

Administration: Goods Movement Policy and Action Plan

- In January 2005, the Administration developed a policy position on California's goods movement industry that "improves and expands California's goods movement industry and infrastructure in a manner that will:
 - Generate jobs
 - Increase mobility and relieve traffic congestion
 - Improve air quality and protect public health
 - Enhance public and port safety
 - Improve California's quality of life.
- Leadership is provided by the Business, Transportation and Housing (BTH) Agency and the California Environmental Protection Agency (EPA) to develop a Goods Movement Action Plan. BTH and EPA are doing joint outreach with more than 350 participants at public "listening sessions" with representation from most of the major goods movement groups.
- In September 2005, the "Draft Goods Movement Action Plan Phase I: Foundations" was released.
- The goal of the Goods Movement Action Plan will be to reach consensus on a plan of action that identifies:
 - Priority infrastructure projects
 - Environmental and community mitigation
 - Homeland Security projects
 - Financing
 - Federal action
- The Plan synthesizes comments received and characterizes the goods movement growth potential, extent of environmental and community impacts, safety and security aspects, and the four port-to-border transportation corridors that constitute the State's goods movement backbone and the associated inventory of infrastructure projects planned or underway.

Goods Movement Action Plan Process and Timeline

- The Phase II implementation plan will proceed in two stages:
 - A progress report, focusing on principles and criteria, will be completed this December.
 - The final report will be completed by June 2006.
- Infrastructure projects and mitigation projects will be approached on a simultaneous basis to foster improvements in mobility, environmental quality, community betterment, and public health.
- In October, Phase II Work Groups were convened for the following areas:

Environmental Impact Mitigation Work Group:

- Hearings were held October 11th in Long Beach and November 1st in Oakland.
- Goal was to identify near-term measures to reduce air quality impacts from port and related operations, and long-term mitigation approaches for further research and development.
- Intent was to seek a balanced plan approach that builds upon the environmental benefits of congestion relief, operational changes, and freight mode shifts to rail.

Infrastructure Work Group:

- Hearing was held November 1st in Sacramento.
- Reviewed and evaluated the infrastructure project inventory from the Phase I Report.
- Developed project recommendations that will be summarized into corridor business plans.
- Three key focus elements:
 - Goods movement infrastructure project prioritization.
 - Project delivery enhancement opportunities.
 - Operational improvements implementation.

Innovative Finance and Alternative Funding Work Group:

- Hearing was held November 1st in Sacramento.
- Possible approaches to secure greater federal funding for goods movement projects were identified.
- Potential additional state and local funding streams, alternative financing options, and innovative financing mechanisms were identified.
- Needed legislative and regulatory actions were identified.

Homeland Security and Public Safety Work Group:

- Hearing was held October 31st in Sacramento.
- Working closely with Innovative Finance Work Group, federal sources of homeland security funding that support goods movement safety and security efforts and projects were identified.

Community Impact Mitigation and Workforce Development:

- Hearing was held November 2nd in Sacramento.
- Goal was to solicit community input on potential mitigation measures to reduce the air quality, health, traffic, noise, and visual blight impacts of goods movement.
- Recommendations were developed to enhance the supply of potential industry employees through high schools, community and four-year colleges programs and industry efforts.

- **Integrating Work Group:**

This group coordinated the activities of all the other work groups. It compiled and reviewed potential policy actions on the international, national, and state levels that could lead to improved operations, funding and project delivery.

The Integrating Work Group will synthesize comments and recommendations of the 5 working groups and present the final comments to BTH and EPA.

Hearings were held November 3rd and 4th.

- **Tentative future meeting dates in Los Angeles:**

November 14th – 16th: Five supporting Work Groups

November 28th – 29th: Integrating Work Group

Goods Movement Action Plan Supporting Work Group Co-Chairs:

- **Environmental Impact Mitigation Work Group:**
T.L. Garrett, Vice President, Pacific Merchant Shipping Association
Julie Masters, Senior Staff Counsel, Natural Resources Defense Council
- **Infrastructure Work Group:**
Kirk Marckwald, Principal, California Environmental Associates
James Spinosa, International President, International Longshore and Warehouse Union
- **Innovative Finance and Alternative Funding Work Group:**

Jack Broadbent, Executive Officer, Bay Area Air Quality Management District
Rick Gabrielson, Vice Chairman, Marine Transportation System National
Advisory Council

- Homeland Security and Public Safety Work Group:
Wally Baker, Senior Vice President of Economic and Public Policy Consulting, Los Angeles Economic Development Corporation
David Fleming, Board Member, Los Angeles County Metropolitan Transportation Authority
- Community Impact Mitigation and Workforce Development Work Group:
Mark Pisano, Executive Director, Southern California Association of Governments

GoCalifornia

- The Goods Movement Action Plan is a component of the larger GoCalifornia initiative, which is an ambitious plan to reform and revitalize California's transportation system.
- GoCalifornia is a 10-year implementation plan.
- By 2025, the initiative aims to reduce congestion below today's level. It will do this through demand-management strategies that use existing capacity more efficiently.
- GoCalifornia will also invest in our state transportation system. It will improve safety, implement broader use of ITS, replace and repair bridges and roadways, close gaps on the existing system, and improve goods movement and operations.
- We're already reforming and improving Caltrans' accountability by making ourselves a "mobility company," adopting performance standards and increasing returns on our investment.
- We will press for legislative authority to accelerate project delivery through public-private partnerships, and implement design sequencing and design-build construction options.

Further Information:

- Contact California Air Resources Board website for Phase I Report and meeting information:

www.arb.ca.gov/homepage.htm

Click on "Goods Movement and Port Program."




Port of Oakland Goods Movement: Part of the California Solution

A Story of Mobility, Jobs & Growth

November 15, 2005


Oakland



Port of Oakland

Big and getting bigger

Growing fast



Port of Oakland: Fourth Largest Container Port

1,114 Acres

19 Deepwater Berths

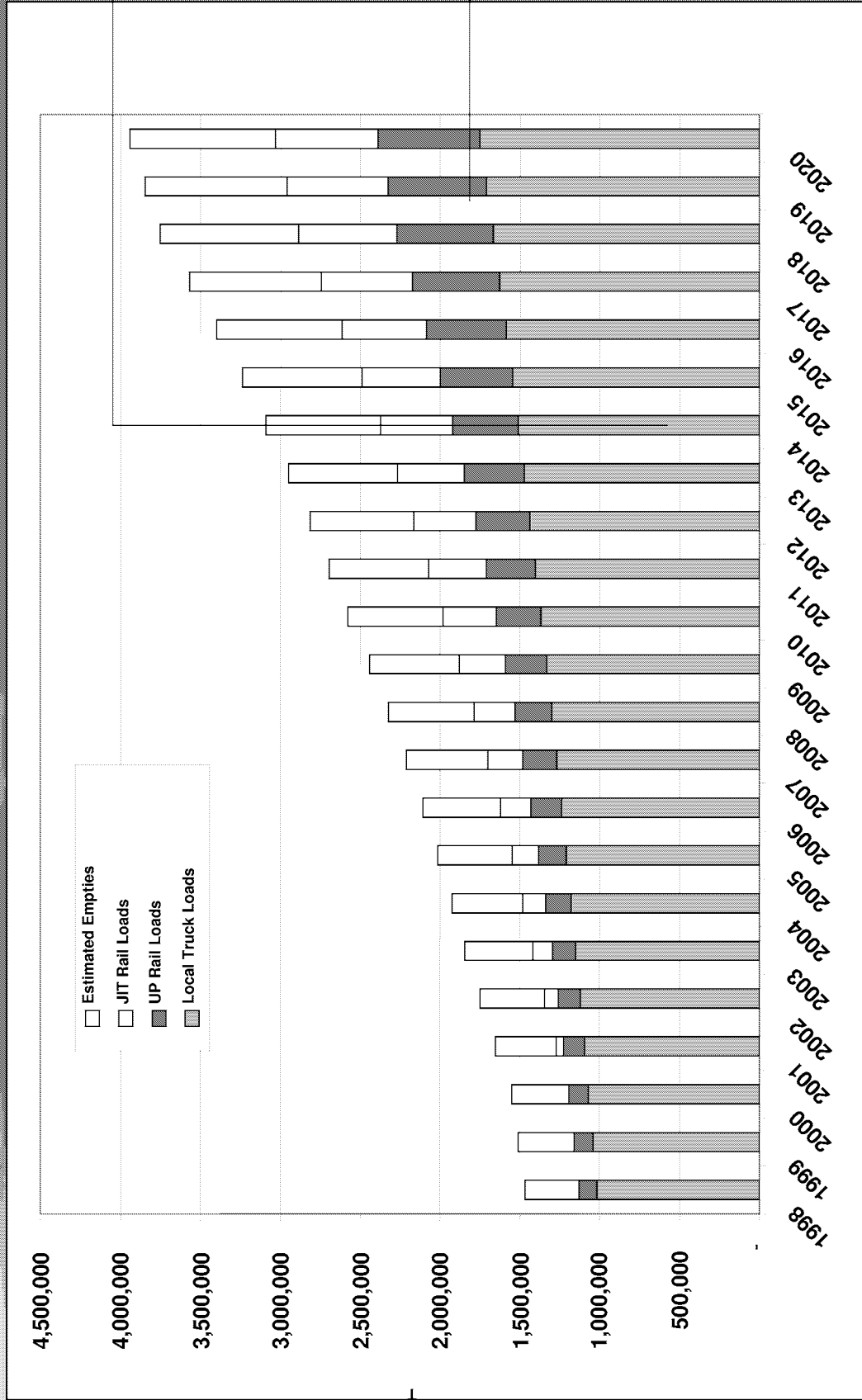
35 Cranes, of which 28 are Post-Panamax

Over 1 million containers moved per year

Over 1.9 million TEU

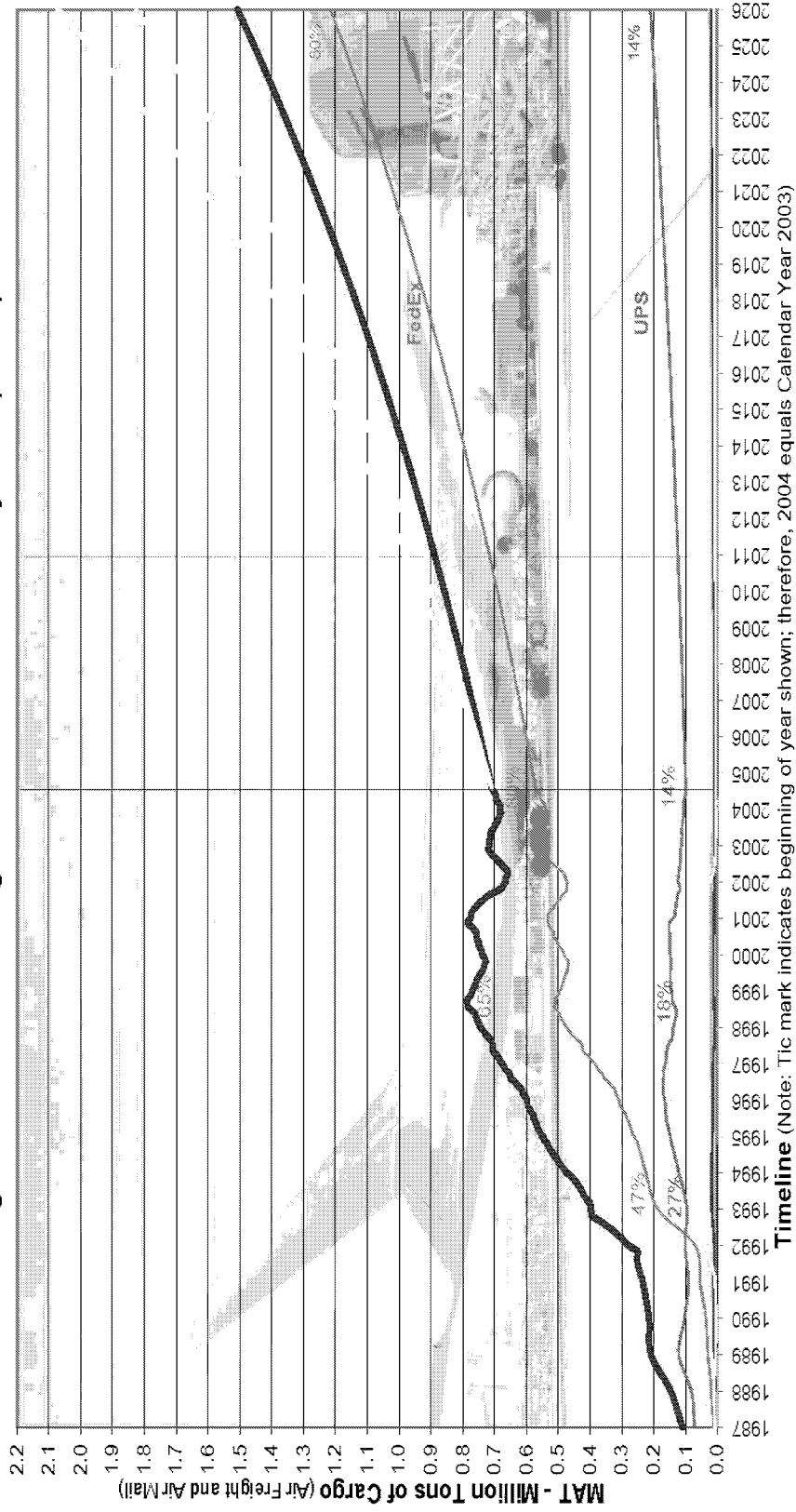
1,900 vessel calls per year

Container Volume Projected Growth (in TEU)



Air Cargo is Growing, Too

Rolling Annual Tons of Cargo—OAK Low Growth/Bay Area (3.59%) Forecast



Timeline (Note: Tic mark indicates beginning of year shown; therefore, 2004 equals Calendar Year 2003)

Port of Oakland Economic Impacts

	Maritime	Total
Port		
• Total Economic Impact [millions]	\$1,566	\$ 6,814
– Includes: Payroll	\$ 753	\$ 1,918
– State & Local Taxes	\$ 74	\$ 238
• Direct, Induced, Indirect Jobs:	13,800	40,500
• Related Jobs	240,300	486,800

California Port Growth

- Seaport Forecasts
 - Ports of Los Angeles/Long Beach
 - 11.8 million TEUs in 2003
 - 36 million TEUs by 2020
 - Port of Oakland
 - 1.9 million TEUs in 2003
 - 4.0 million TEUs by 2020
 - 6.5 million TEUs by 2030

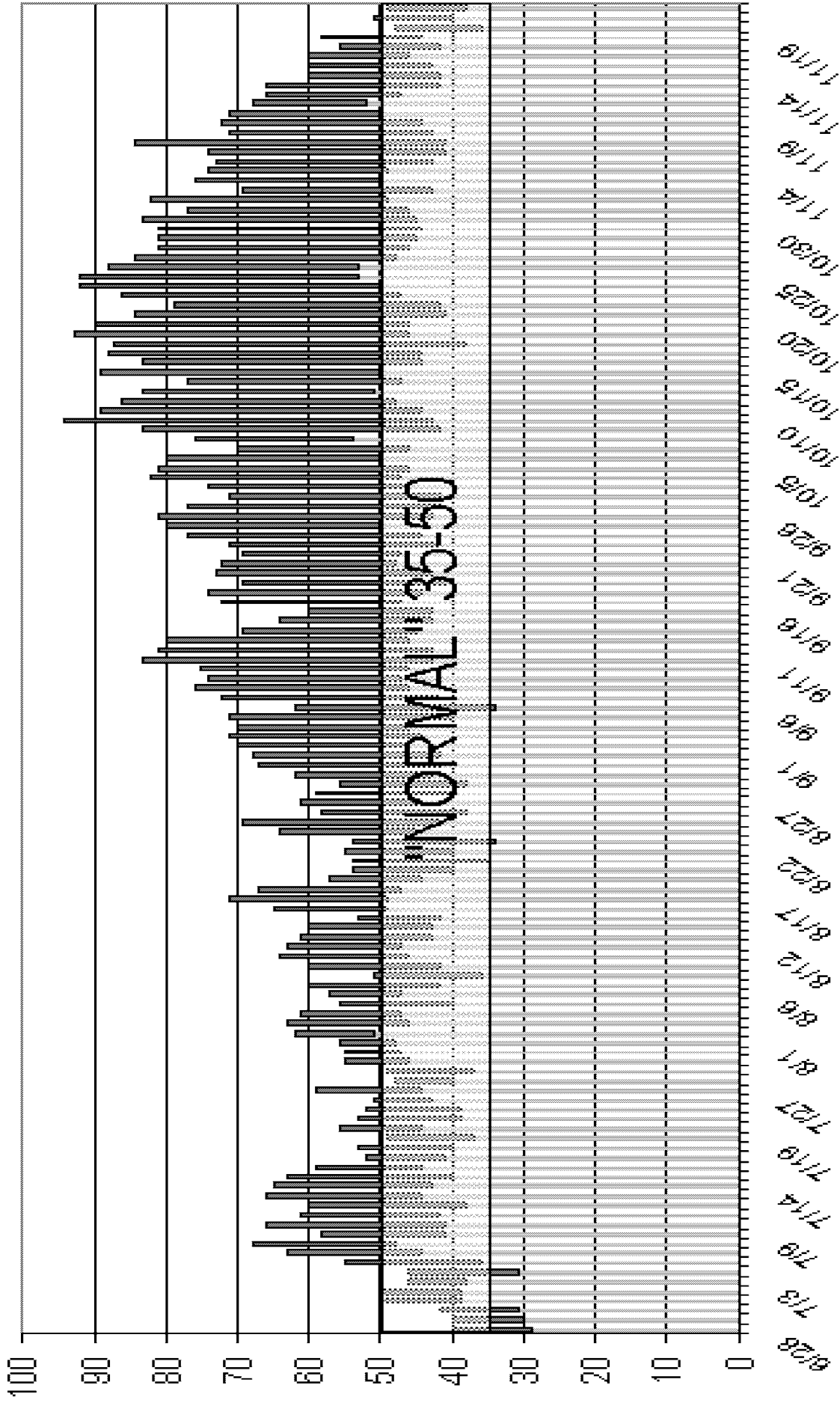
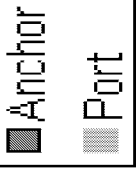
Goods Movement Growth

- Container volumes moving through California seaports are up over 10 percent in 2004
- Truck volumes on I-5 have jumped 7 percent from one year ago
- Explosive growth in trade with China

Downside of Such Prosperity

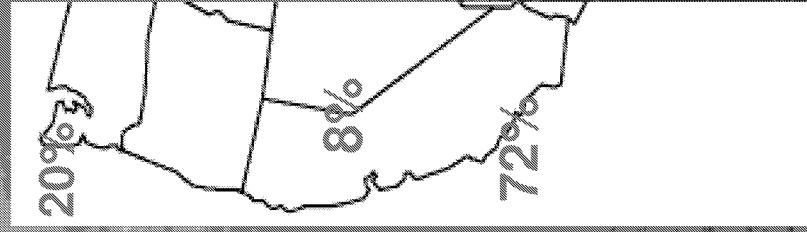
- Southern Calif. ports' inability to handle ships, resulting in long waits.
- Inability of railroads to move containers between ports and inland points.
- Congestion on highways and resulting air emissions and added costs to shippers.

LALB Congestion

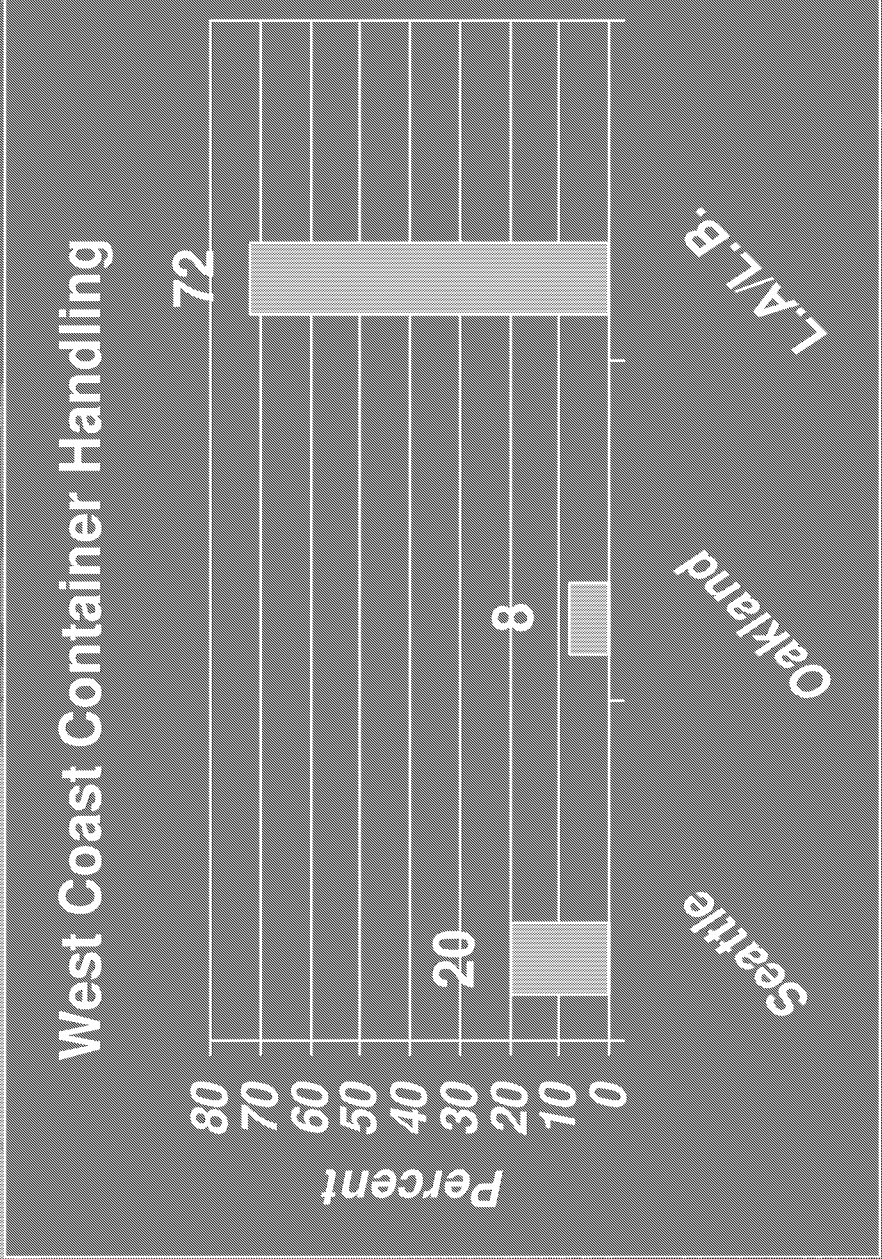


All data is based on the Marine Exchange of So. Ca. reports

Problems are caused by an import receiving imbalance



Infrastructure
Over Capacity



Interstate – 710: A Typical Day



Other Ports Are Not Standing Still

Alaska

Canada

Pacific Northwest

Mexico

Panama

Gulf Coast

East Coast

Increasing Competition

- Zero sum game with losses to California:
 - ✓ Jobs
 - ✓ Commerce
 - ✓ Revenues generated from this activity
 - ✓ Tax revenue to state & local government

Port of Oakland: Part of the California Solution

Oakland can serve to relieve congestion at Southern California ports.

- Dredging will allow fully-loaded ships
- Avg. marine terminal capacity is 50%
- Proximity to I-5 and I-80 Corridors
- Served by UPRR and BNSF

Oakland's Infrastructure Challenge

- The Port of Oakland projects increasing its intermodal container volume to 1.7 million lifts; more than triple current volume.
- Current intermodal facilities and existing rail access to the Port limit capacity to approx. 1.0 million.

Maritime Capital Improvements

- Improved rail access at & near Port
- Improved rail access over gateways
- Interregional rail:
 - CIRIS
 - Shafter
- Cooperative port alliances
 - Sacramento
 - Humboldt Bay

Priority Access Projects at and near the Port

- ❖ 7th Street Grade Crossing & Roadway Improvement
 - Critical truck-rail crossing. 1927 bridge
 - \$100 million
- ❖ Outer Harbor Intermodal Terminal
 - Allows tripling of lift capacity
 - \$88 million




❖ Complete -50-foot dredging

- \$14 million gap closure

❖ Improved Track Access to Port
Intermodal Terminals

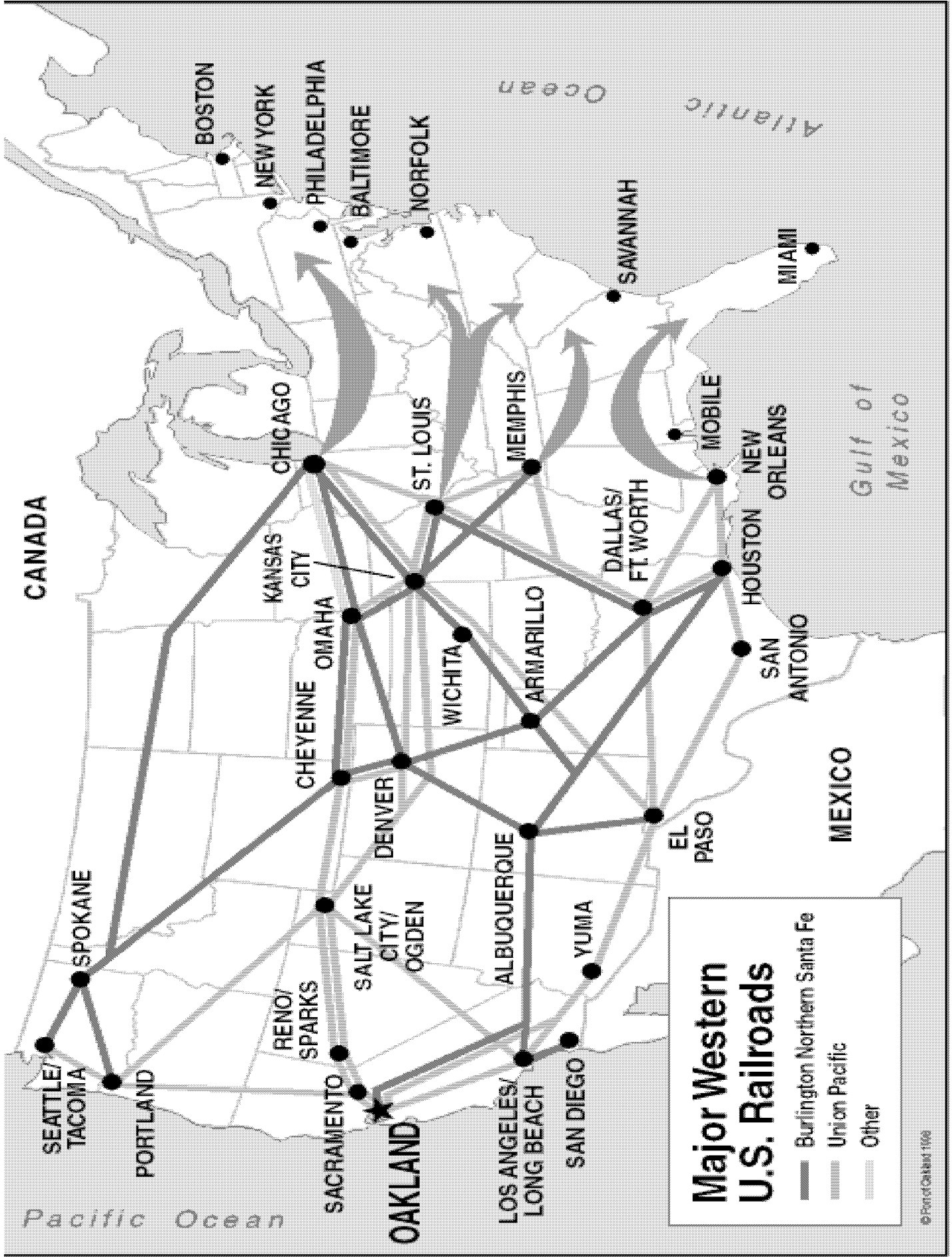
- Relieves rail bottleneck
- \$12 million

- ❖ UPRR Mainline Upgrades between Oakland & Martinez
 - Meets increasing demand
 - \$6 million for first element
- ❖ Upgrade Rail Capacity between Oakland and Stockton via Niles Jct.
 - Increase freight & passenger capacity
 - \$144 million

- 
- ❖ Adeline St. Bridge Reconstruction
 - Seismic & geometric improvements to key Port access route
 - \$60 million
 - ❖ North Airport Air Cargo Access Road
 - More efficient air cargo movement between Airport and I-880 Corridor
 - \$18.4 million

Gateway Access Projects

- ❖ Improvements to Central Corridor Line
 - Raise clearances & double track over Sierra Nevada
 - Work with western states to upgrade rail capacity east toward Chicago
 - \$35 million for Sierra element
- ❖ Cross-Tehachapi Capacity Increases
 - Critical gateway linking Bay Area with rest of U.S. and L.A. with Central Valley
 - \$300 million



Major Western U.S. Railroads

- Burlington Northern Santa Fe
- - - Union Pacific
- Other

Interregional Rail Projects

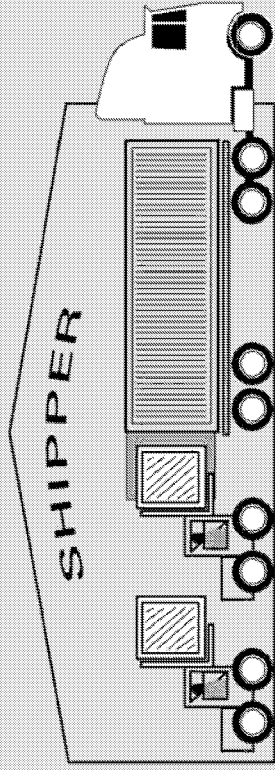
❖ CIRIS

- Replace over 78,000 truck movements;
12.2 million truck VMT
- Can serve multiple points in Central Valley
- \$20 million for Central Valley facilities

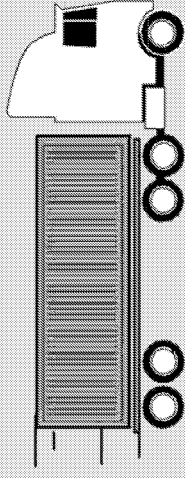
❖ Shafter Interregional Rail

- Integrated logistics center funded by Shafter

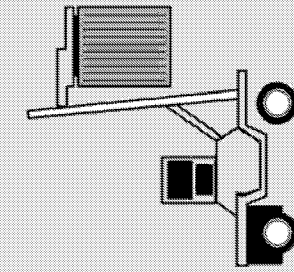
Moving by Truck Central Valley to Port of Oakland



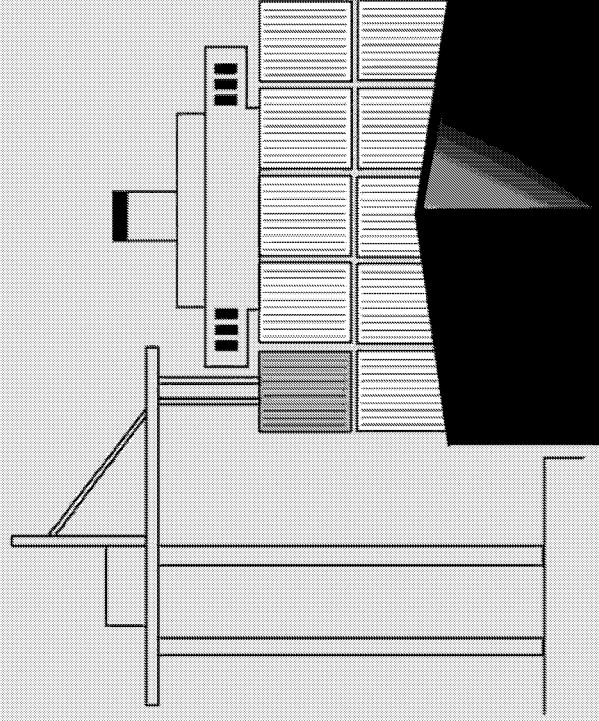
Shipper to Truck



Truck to Port of Oakland

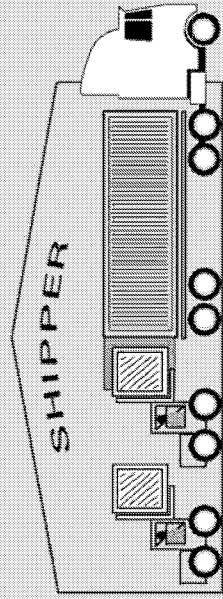


To Port Terminal

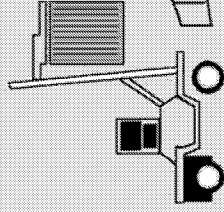


To Container Ship

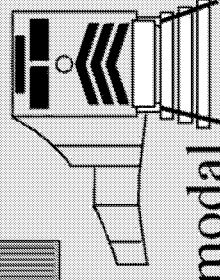
Moving by CIRIS Central Valley to Port of Oakland



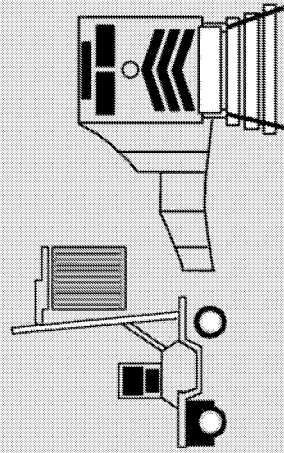
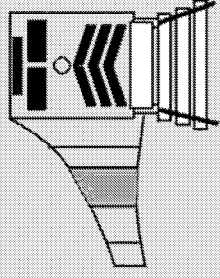
Shipper to Truck



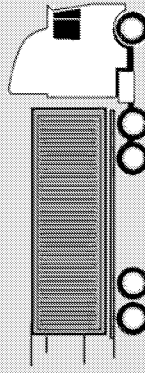
To Intermodal
Rail Yard



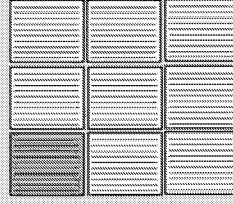
To Shuttle
Train



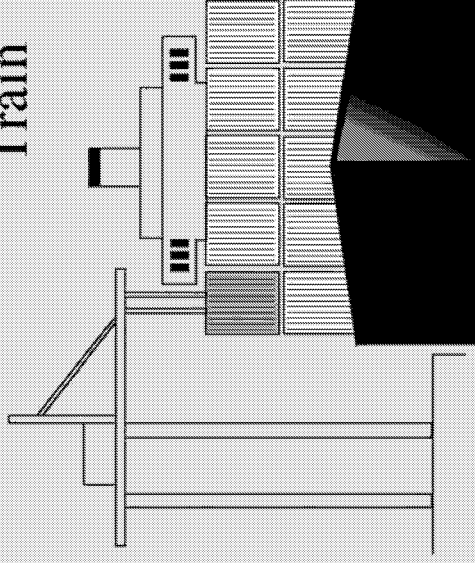
To Port Intermodal
Rail Yard



Truck To Terminal Yard



To Container Ship



Cooperative Port Alliances

- Port of Sacramento
 - Port of Oakland would manage port
 - Barging of regional cargo
- Humboldt Bay
 - Interregional barge/rail serving NW Calif. industries

A Final Thought

The Port of Oakland brings value for dollars spent

- \$482 million makes needed goods movement access improvements at & near Port
- Another \$355 million makes gateway improvements needed by state and Port

**Planning for Change:
A Systematic California “Call to Action” for Freight**

Therese W. McMillan
Deputy Executive Director, Policy
Metropolitan Transportation Commission, Oakland CA

Presented to
Senate Transportation Sub-Committee on California Ports and Goods Movement
November 15, 2005 Hearing
“Goods movement: Assessing California’s 21st Century Needs and Consequences”

A. Introduction: Why Change?

A legitimate call is being made for increased investment in California’s freight infrastructure. Under the auspices of the Administration’s Agencies for Business Transportation and Housing and California Environmental Protection, the recently completed a Final Goods Movement Action Plan-Phase 1 is the latest in a group of studies trying to determine the scale of this need. The Phase 1 element included the following key findings:

- \$43 billion in overall needs, plus an additional \$4 billion “underway”
- \$2 to 4 billion security needs
- A yet to be determined amount of community related mitigation costs
 - A total of \$ 52 Billion minimum, not counting mitigation requirements; and likely understated as initial project infrastructure costs are refined and rescoped.

While the Action Plan’s Phase 1 inventory is an essential first step, it is clear that there must be a companion basis for setting priorities among those needs. Traditional federal and state funding, while a critical component in addressing goods movement demand, cannot be expected to underwrite the majority of California’s freight related infrastructure needs. Despite initial expectations for significantly new, dedicated freight resources, the recently enacted federal “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” (SAFETEA-LU) identified only \$400 million specifically for California projects, much of it via discretionary earmarks— amounting to 1% of non-security related needs in the draft Goods Movement Action Plan. While several other federal funding sources yet-to-be programmed could bring additional funding dollars to the State’s table, assuming an admittedly optimistic pull of 25% of these programs would only result in another \$564 million, for an overall potential federal pull of only \$964 million from SAFETEA-LU for California freight-- just under 2% of overall need identified in the Goods Movement Action Plan- Phase 1.

The existing state funding picture does not look much better, certainly within the parallel time frame of SAFETEA-LU. Current State Highway Account Fund Estimates show little to no new capacity in the 2006 State Transportation Improvement Program (STIP); the discussions between the regions and Caltrans regarding the discretionary Interregional

Transportation Improvement Program (ITIP) are being conducted with an eye to the 2008 and 2010 STIPs—in effect, programming opportunities in fiscal years 2011, 2012, 2013, 2014.

Nevertheless, freight’s ability to make its best case for some of these “traditional” funds— and to package those existing sources with new funding options, including Senator Perata’s proposed Senate Bill 1024-- requires a clear statement of statewide priorities and expected outcomes. It is on that basis that a realistic funding strategy for freight can be pursued not just for the next 5 years, but the next 25.

B. Building the Case

How might one approach building a plan that guides investments for needs that inevitably extend beyond available resources at any given time? First, the reach of the plan must be appropriate to the task. The nature of goods movement demands that this comprehensive plan -- particularly the definition and application of criteria for setting investment priorities—be developed at the state level. While local jurisdictions, regions and private sector parties must contribute to this process, those entities cannot be expected on their own to voluntarily sort through project priorities throughout California, particularly in any discretionary/competitive funding environment. Therefore, Phase 2 and any subsequent efforts related to the Goods Movement Action Plan must take the admittedly difficult next step of coordinating with local freight partners to determine on what basis those priorities should be set— and then make those choices within the constraints of funding available.

The Phase I Action Plan has outlined an initial list of factors and measurements that might be considered in setting those priorities. At the end of the day, however, those factors ultimately chosen should be able to help determine capital and operations improvements that can best contribute to enhancing the flow of freight

- within and through California
- to local, domestic/national, and international markets
- in the most cost-effective manner
- with the least impacts to communities and the environment.

As Phase 2 is being launched, an opening step includes refining the basic principles outlined in Phase 1:

- All goods movement infrastructure and relation operation throughout the State are part of an integrated, multimodal system.
- Projects with the highest rate of return should be advanced first.
- Acknowledge environmental impacts and identify needed resources to help mitigate them.
- Spur private sector investment and public-private partnerships to leverage public investment.
- Provide a higher-level forum to engage cooperation with outside state jurisdictions.

C. A “Four Plank” Recommendation

Below are four recommended “planks” that could be developed as part of the Phase 2 Statewide plan, that attempt to weave these principles together as a compelling “Call to Action” for enhanced goods movement investment. It should be noted up front that these recommendations do not imply a “start from scratch” planning process—almost all pieces of the puzzle have been developed (some exhaustively). Rather, this suggests a way of putting the pieces together to craft a strategic state goods movement investment picture with a blend of resiliency and flexibility to guide our choices over time.

Plank 1: Know What We Face

“Needs assessments” must be more than a list of desired transportation improvements. We must start with a clear statement of current and future freight movement demands as they affect the State of California.

Phase 1 of the Action Plan takes an initial stab at this admittedly daunting effort, extrapolating California’s “share” of freight demand from national trends, and identifying potential competitors. In addition, information on the nature, patterns and volumes of projected freight movement is more definitely tackled for the Bay Area and Southern California regions as part of region-specific goods movement plans completed for these areas, which are also being integrated into their respective long range planning efforts. The findings and recommendations of these plans have been integrated into the Action Plan to some degree; what’s missing, however, is the knitting together of these regional analyses from a statewide perspective. In addition, similarly detailed regional analyses have not been done for the Central Valley and the northern part of the state. While the Administration is committed to action and not an interminable planning loop, it will be difficult to choose among projects without a basis for judging where the biggest pay-off will be, and how that will change over time. In essence, the State Goods Movement Plan in Phase 2 must establish a baseline, statewide picture that

- identifies the volume and pattern of current and future goods movement demand; and
- identifies constraints to accommodating that demand with the existing system.

Furthermore, this has to be outlined/mapped for three distinct types of freight movement:

- International imports and exports through California
- Domestic (U.S.) movements in and out of (California)
- Intra-state distribution movements, including critical connections to local distribution movements within major urban areas.

A crucial element of establishing a baseline would be to determine the infrastructure needs of the existing transportation system. For example, the growing deficits in maintaining and rehabilitating our state highway system today are well documented, and impacts freight traffic as well as passenger traffic. Significantly expanding the capacity of the system, without insuring that sufficient resources are assigned to sustaining the base, foundation infrastructure only exacerbates problems in the future.

Plank 2: Decide What We Want

The State must establish specific performance objectives for accommodating future freight demand, considering the following:

- Based on the constraints we see in the existing system, what do we want to achieve in terms of improving freight flows, and over what time period?
- Are there priorities linked to California's market share of trade, volumes and/or value of freight moved in the state, or other factors that would dictate a ranking of future improvements based on desired outcomes?
- Bottom line: If we can't do everything—and we know we can't—what's in the best interests for the State of California in terms of accommodating freight movement?

Plank 3: Make Choices.

This critical step would identify and evaluate investment options to achieve the performance objectives established, and ultimately choose from among those options which ones to pursue, and when.

1) Operational: Are there ways to use the existing freight network better in moving goods within and through California? Is our network of ports, rail and highways really integrated as a system throughout the state to provide shippers/carriers the best options for moving goods? If not, where are the bottlenecks that are interfering with the system performing to the objectives set in (2) above? Operationally, can anything be done to improve use of that system? Key here will be the application of new system technologies to enhance productivity of our ports, highway and rail elements and connections.

2) Capital: What capacity increasing investments make the most sense for relieving identified bottlenecks? How are these ranked in terms of cost-effectiveness, again based on the performance objectives for improving freight movements as the key effectiveness measure? How soon can they be done, if funding were available?

3) Mitigation: Are there adverse impacts to operational and capital investment options that need to be mitigated, and what are the costs of that mitigation? How does that change cost/benefit assessments? Potential adverse impacts may be related to:

- environment
- community
- safety
- security (related to existing as well as future investments)
- coordination (e.g. increased freight v. passenger rail conflicts)

It has been stressed in recent discussions regarding the Phase 2 Goods Movement Action Plan, and rightly so, that mitigating identified impacts cannot be secondary to proposed system enhancements, but must be addressed up front and with equal commitments to funding and implementation. This speaks to a planning process that is not linear, but iterative. The challenge is not to choose between projects and mitigations, but to construct a package that achieves both. Consequently, mitigations are not a separate investment category, as much as an integral component of the projects and programs

selected.

4) Feasibility: Are there jurisdictional, institutional or other non-monetary issues that stand in the way of delivering a particular option? Can those reasonably be overcome? Who—governmental, private sector, general public--- needs to commit to implementing these objectives, and do they have the capacity to do so? A key consideration here is the capacity of the State Department of Transportation to quarterback this strategic freight plan for the long haul. If Caltrans is not currently staffed and resourced to carry out this coordinated effort, steps must be taken immediately to provide the Department with the necessary capacity.

5) Project/Program Ranking: Establish statewide priority list of operational and capital projects based on performance, cost/effectiveness including the costs of needed mitigations, and implementation feasibility.

Plank 4: Find Money

The fourth step critical to moving from planning to implementation is establishing a financial strategy to match the priority list of projects and programs. This will involve a complex packaging of federal, state, local and private sector funding for the scale and scope of the multi-million dollar capital projects that have been identified, and quite frankly that scale of the funding is not now available. That said, considerations for such a strategy will include:

a) Distribution among federal, state, local and private sources: Statutory eligibility and appropriate “share” of multiple sources in a complex funding package must be carefully weighed.

b) Availability of funding: dedicated contributions versus discretionary competition versus discretionary “earmarking”. The preponderance of earmarking for funding sources directly or substantially related to freight needs will limit the ability of states and regions to devise a long-range funding strategy for its most critical projects. There should be a stronger link between priority needs, based on some clear and comprehensive set of factors, and the timing and level of funding that will be assigned to those needs. While earmarking is not likely to vanish from the transportation funding arena, it should be a complement to a steady and more reliable source of revenue for major freight investment, not its lifeblood source.

c) Need for legislative changes to direct/secure existing funds as priority for freight: Some immediate thinking in the state legislative arena could address the existing State Transportation Improvement Program (STIP), and the State Highway Operations and Protection Program (SHOPP). In the case of the STIP, the discretionary Interregional Transportation Improvement Program element could accommodate an explicit target for key freight projects that by their very nature provide benefits over multiple geographic areas. For the SHOPP, new criteria could be developed to assign higher priority to operational investments that would increase productivity of the goods movement network.

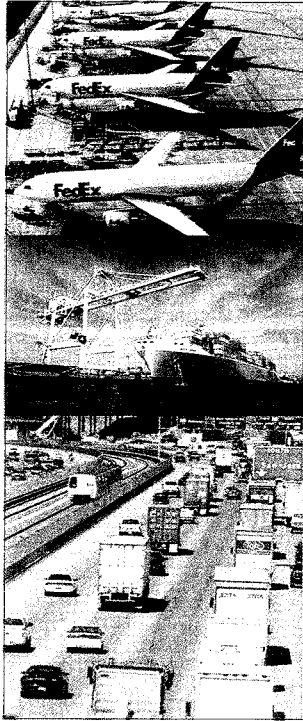
d) Legislative and other strategies to pursue additional new funding sources. Two things should be specifically noted here. Senate Bill 1024, with its currently proposed \$2.5 billion set aside for freight and freight related mitigations, can provide a valuable platform for linking investment to performance. How this funding will be prioritized and assigned can set the stage for future patterns of investment; it can also serve as valuable leverage for new funding partnerships with the private sector.

On that point, goods movement in the country is defined by significant private sector participation in the ownership and operation of freight infrastructure, true for the rail, trucking, maritime and aviation sectors. Much like the ½ cent sales tax counties resorted to a “self-help” approach as traditional federal and state transportation funding sources fell behind irretrievably behind needs, the participation of the private sector in a conscious and planned investment strategy for freight infrastructure should be seriously considered.

To be considered equitable, however, any financial contributions coming from the private sector would need to be clearly (almost exclusively) linked to private sector benefits (or the inverse, linked to mitigations for impacts assigned to the private sector). This “private fee for private benefit” theme is more or less easily achieved, depending on the nature and administration of the fee. Such hurdles can be cleared if the private sector and public sector negotiate “fair” contributions of respective private and public sector funds based on an agreed upon distribution of benefits that a) does not bias individual elements of the industry, and b) ensures proceeds from such user contributions can be fire walled for the purposes they are levied. A new paradigm of public/private sector dialogue and cooperation will be a key prerequisite to a new funding future for freight.

D. Conclusion

The emergence of goods movement as a focus area for transportation investment, while timely, throws a spotlight on how far behind the curve California is in terms of dealing not only with the pressing demands on the current system, but the acceleration of those demands under a growing global economy spurred by rapid development in Asia. In the rush to do something now, laying a solid foundation for doing more later could be lost. Planning “right” does not mean putting a stranglehold on spending, but we have the opportunity to bolster our case for future new funding and financing initiatives in a fiercely competitive environment. The time is now.



Planning for Change: A Systematic California "Call to Action" for Freight

**Hearing — "Goods movement:
Assessing California's 21st Century
Needs and Consequences"**

November 15, 2005

presented to
Senate Transportation Sub-Committee
on California Ports and Goods Movement

presented by
Therese W. McMillan
Deputy Executive Director — Policy
Metropolitan Transportation Commission
Oakland, California



Why Change?

- > Significant and growing need for goods movement investment
- > BT&H, Cal EPA:
Goods Movement Action Plan-Phase 1

Key Findings:

- \$43 billion in overall needs, plus \$4 billion "underway"
- \$2 to \$4 billion security needs
- A yet to be determined amount of mitigation costs
- A total of \$ 52 Billion ~~minimum~~



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Funding Constraints: Scarce resources and competition

- > Limited \$ opportunity from SAFETEA-LU:
2% of identified need
- > Severely constrained existing state funding:
 - No programming in 2006 STIP
 - Future STIPs — nothing new until 2011 at earliest?



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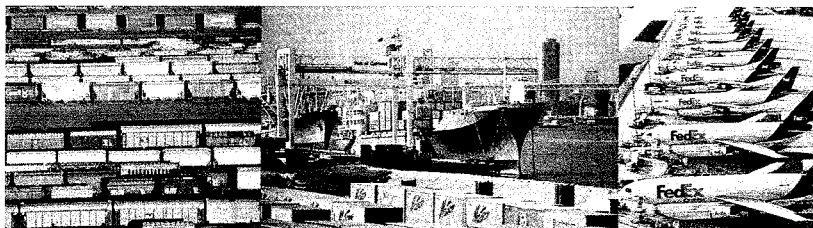


Freight must make best case to

- > Capture share of “traditional” funds
- > Justify and advocate for new, dedicated source of funds (e.g. SB 1024)



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How to Build the Case

- > Effective freight planning demands a statewide stage
- > Multi-jurisdictional reach, by nature
- > Local partners essential in defining problems and solutions, but challenged to divvy scarce dollars



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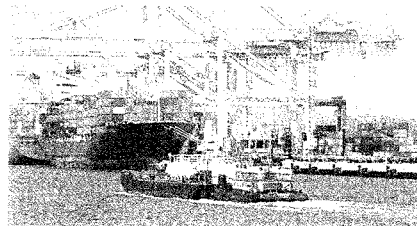


How do you set priorities?

- > Capital and operations improvements that enhance the flow of freight
 - within and through California
 - to local, domestic/national, and international markets in the most cost-effective manner
 - with the least impacts to communities and the environment.



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Action Plan Phase 1

Core Principles:

- > All goods movement operates as integrated, multimodal system.
- > Projects with the highest rate of return should be advanced first.
- > Identify and mitigate environmental impacts
- > Spur private sector investment to leverage public sector resources.
- > Engage cooperation with outside state jurisdictions



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What's needed is a basis for weaving these principles together as a *Call to Action* for Freight:

A 4-Plank proposal:

1. **Know What We Face**
2. **Decide What We Want**
3. **Make Choices**
4. **Find Funding**



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Does NOT mean starting from scratch, but cohesively putting together pieces for a strategic statewide freight vision

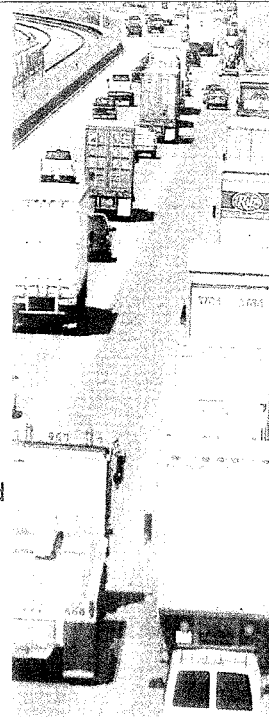
Plank 1:

Know What We Face

- > More than a project list: must understand freight movement demands
- > Establish baseline, statewide picture of:
 - volume and pattern of goods movement demand; and
 - constraints to meeting that demand with the existing system.



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Plank 1:

Know What We Face

Baseline assessment for three distinct freight movements:

- > International imports and exports through California
- > Domestic (U.S.) movements in and out of California
- > Intra-state distribution movements, including critical connections to local markets within major urban — congested — areas.
- > Existing regional studies provide valuable input



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Plank 1:

Know What We Face

Baseline requirement: Maintain and Sustain existing infrastructure

- > Growing deficits in state highway system today are well documented
- > Freight traffic as well as passenger traffic is impacted every day
- > Expanding system capacity without a sustainable foundation invites failure.



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Plank 2:

Decide What We Want

Establish specific freight system performance objectives, i.e.:

- > Based on known constraints, do we address them to improve freight flows, and how quickly?
- > What are priorities regarding California's
 - market share of international and domestic trade
 - volumes and/or value of freight moved in the state?
- > What are desired outcomes of our investments?

Bottom line: If we can't do everything what's in the best interests of the State of California in terms of freight movement?



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Plank 2:

Decide What We Want

Example:

- > **Constraint:** LA/LB Port Capacity in Southern California for increased imports
- > **Desired Outcomes:** Accommodate increased future trade demand to U.S. markets through California gateways

Options:

- invest in increasing Southern California Port Capacity and interstate access routes
- invest in utilizing surplus import capacity in Northern California ports to absorb more import flows to U.S. markets



What's the best choice for the State???

Plank 3:

Make Choices

Identify and evaluate investment options to achieve the performance objectives

- > **Operational Improvements**
 - improve the productivity of the existing freight network
 - Better integrate network of ports, rail and highways
 - New ground in new technologies
 - Cost-Efficiencies on a permanent and interim basis
- > **Capital/Physical capacity enhancements**
 - Relieve identified bottlenecks
 - Consider most cost-effectiveness investments based on the performance objectives
 - Consider timing/delivery of improvements; pair with operational improvements



Plank 3:

Make Choices

> Mitigation:

- Identify adverse impacts to **environment, community safety, security, coordination**
- Determine costs and incorporate into overall project costs
- Mitigations cannot be secondary to proposed system enhancements — ~~secondary~~ commitments to funding and implementation.

> Feasibility:

- Determine jurisdictional, institutional, political issues that stand in the way of delivering options —
Can they be overcome?

> Project/Program Ranking:

- Statewide priority list based on performance outcomes, cost/effectiveness including the costs of needed mitigations, and implementation feasibility.



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Plank 4:

Find Money

> Planning to implementation requires **MONEY**

> Inevitably involves complex packaging of federal, state, local and private sector dollars

> Considerations for such strategy:

- ⊗ Distribution among federal, state, local and private sources: Eligibility and appropriate “share”
- ⊗ Availability of funding: dedicated contributions vs. discretionary competition vs. discretionary “earmarking”.
- ⊗ Need for legislative changes for existing funds
- ⊗ Legislative and other strategies to pursue new funding



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Plank 4:

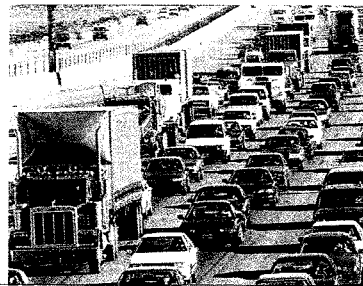
Find Funding

Among many, two critical elements

- > **Senate Bill 1024 (Perata):**
 - proposed \$2.5 billion set aside for freight and freight related mitigations
 - Can provide a valuable platform for linking investment to performance
 - Potential leverage for other public and private funds



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Plank 4:

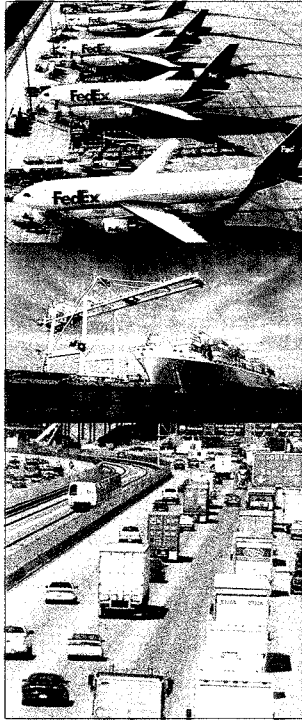
Find Funding

Private Sector contributions: U.S. goods movement in the country defined by major private sector ownership and operation of freight infrastructure

- > “Private fee for Private Benefit” user fee concept is an essential piece of successful freight financial strategy, if
 - a) No bias for individual elements of the industry, and
 - b) user contributions are fire walled for the purposes they are levied.



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Conclusion

- > Focus on goods movement spotlights how far we must go to catch up with today and prepare for the future.
- > Planning “right” does not preclude action — ongoing and iterative process.
- > Challenges ahead require commitment and information for the long haul — we lay that foundation now.



**Testimony of Jim Wunderman
Bay Area Council President and CEO**

**Senate Transportation Subcommittee on California Ports and Goods Movement
November 15, 2005
Oakland, California**

Goods movement has been an emerging issue in the Bay Area for quite a while, and it has finally emerged to the point where the region is unified in understanding that we need to preserve and improve goods movement to prosper as a region and a state. The same can be said at the state level, and I appreciate the leadership that this Subcommittee, Senator Perata, and the Business, Transportation & Housing Agency are bringing to goods movement.

The Bay Area took a big step in advancing our understanding and commitment to goods movement with the Regional Goods Movement Study that MTC completed recently, with major leadership from the Port of Oakland, EDAB, and the Bay Area Council. The business community has always known that goods movement is critical to the Bay Area economy, but the MTC study provides the solid analytical foundation, the solutions, and the consensus for action.

A few facts to illustrate the importance of goods movement: over 37 percent of Bay Area economic output is in industries that rely on the ability to move goods. Goods movement itself generates good jobs that pay well, in industries such as trucking, warehousing, and logistics. And the industries that rely on goods movement—such as manufacturing, agriculture, and electronics—are critical to California's economy. High-technology and high-value commodities (electronics; precision instruments; motor vehicles) account for half of the value of all goods movements originating in the Bay Area. These are important industries and jobs for the Bay Area to retain and grow—and they're important for the state as well when you recognize that the Bay Area generates a disproportionate share of state income tax revenue.

It's projected that container cargo at the Port of Oakland will double in just 15 years, and air cargo (which is critical to high-value industries in the Bay Area) will triple in the next 15 years—economy. If history is a guide, the actual growth will be even more dramatic. California has the opportunity to remain the economic gateway for booming Asia trade. But if we fail to act, trade will move to other ports, taking the jobs, tax revenue, and economic benefits with it. California once had a lock on West Coast port traffic, but Canada and Mexico have become viable competition. Already we see goods from Asia bypassing the West coast and heading straight to the Port of New York.

Some will say that we should actually *encourage* trade to leave the state, because it places too much of a strain on our transportation system and our communities. I share the concern, but disagree about the solution. As I've said, goods movement and trade are critical to our economy, our jobs base, and our tax revenues, and California should seek to grow its role as a leader in foreign trade. And we also need to recognize that most goods move in the same corridors that passengers use—that is, trucks on highways, and rail with at-grade crossings. We can't improve mobility for passengers unless we find ways to more efficiently move goods.

The Bay Area has documented the solutions, and it's a combination of substantial investment—up to \$5 billion—along with innovative strategies to make the system work more efficiently. With a multi-billion dollar price tag in the Bay Area alone, we won't be able to afford everything any time soon, so the state and regions must invest strategically, building a statewide network of projects that work together and optimize the ability to move goods.

For the Bay Area, this means that the first priority is to facilitate movements through the Port of Oakland and out to the Central Valley for connections to Southern California. This means improving highway and rail access in the 880/580 corridor and also in the I-80 corridor. To get the most bang for the buck, the Bay Area also plans to leverage new investments with smarter policies. For example, the Regional Goods Movement Plan recognizes that land use planning needs to preserve land for goods movement related uses, so that distribution centers don't continue to get pushed further and further from customers. And we can use technology to track containers and schedule arrivals and departures more efficiently to reduce congestion and community impacts.

One thing is clear—there must be a new, dedicated revenue source to implement goods movement improvements. It doesn't have to pay for everything, but it needs to be big enough to jump-start important projects and to provide leadership that will draw in the other sources of revenue that will be necessary. Regions can also dedicate a small share of the flexible state and federal funds under their control, but we need to realize that there are massive competing demands for these existing funds. California will also need to compete effectively—and with a clear and consistent voice—for the limited federal funds that are available for goods movement. And we'll need to be ready very soon to begin working for a much bigger pot of goods movement money in the next federal transportation Act.

Private financing and user fees must play a role, too. The state needs to provide regions with authority to develop toll-financed projects and public-private partnerships, and the state should work with all stakeholders to consider possible user fees that could generate revenue from those users who receive a direct financial benefit. It's going to take serious money from multiple sources to get us where we need to be.

SB1024 would move us well down this path. \$2 billion for goods movement would make a serious down-payment on the state's obligation. Likewise, repaying debts to Proposition 42 and pumping new money into the STIP would let regional agencies begin to think again about investing strategically—including goods movement projects—rather than constantly struggling to deal with shrinking budgets and delayed schedules.

But \$2 billion, \$3 billion, or even \$5 billion in new state funds won't pay for everything. So the state needs to establish a true statewide goods movement vision, and use new funds to provide strategic leadership to implement that vision. This is the most important outcome that the Goods Movement Action Plan process can provide. I'll continue to talk about what's important for the Bay Area, and my colleagues down south will talk about what is important to their region. But goods movement is truly an issue of statewide importance, and it will take a statewide strategy to tie the pieces together in the most effective way. The state has acknowledged this since at least the 1993 California Transportation Plan, and the Goods Movement Action Plan has an opportunity to fulfill that responsibility. I'm confident in the powerful economic role that the Bay Area plays in California, and I'm confident that the Bay Area has a key role to play in an effective statewide goods movement system.

**BACKGROUND FOR TESTIMONY OF MARK PISANO, EXECUTIVE
DIRECTOR, SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS,
BEFORE THE SENATE TRANSPORTATION AND HOUSING
SUBCOMMITTEE ON CALIFORNIA PORTS AND GOODS MOVEMENT,
TUESDAY, NOVEMBER 15, 2005**

In Southern California one in twelve jobs is related to the logistics industry. At the same time, emissions from ships, trucks and trains are major contributors to our poor air quality. Current forecasts indicate that trade through our region could triple in the coming decades. To deal with this growth, both operational changes and substantial infrastructure investments will be needed. Simultaneous and substantial investments will be needed to reduce emissions and other environmental impacts from goods movement. Indeed, communities have made it clear that no growth will be accommodated without these mitigations.

Financing for both the capital investments and the environmental mitigation is based on the principle that the investments will generate substantial increased productivity gains for the users of the system – shippers and transporters – and that they will be willing to amortize the investment with a payment schedule. This is akin to manufacturers investing in plant and equipment to improve productivity.

Additionally, because of benefits that will be experienced by motorists and communities, the government will provide tax advantaged financing instruments. The joint public-private financing structure will provide for the needed investments and will be activated once the facilities are operational. Our research shows that the financing program is feasible but needs to undergo more peer review.

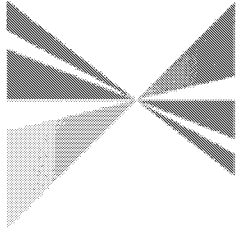
Research has also shown that the innovations and investments made in the Southern California region enable shippers to save 18-20% of their inventory costs. Additionally, truckers would be able to make two to three times more trips per day and trains would have over a 100% increase in throughput. Finally, the

public will gain a 25% increase in speeds and improved health with attainment of air quality standards. In order to ensure environmental justice in the outcomes, communities must be a part of the solutions we design.

Without these investments, the productivity and health benefits will be lost. The region will truly be worse off if we take no action. In order to move forward, we need your support in the following ways:

- Help the region identify an institution with the scope and authority to finance and implement major infrastructure and environmental mitigation projects.
- Provide the tools we need to do the job expeditiously, to bring quick relief of congestion and pollution. These include: design-build procurement; public-private partnership authority; the authority to levy tolls and user fees on state highways; and the ability to provide comprehensive environmental review and mitigation.

With legislative support, we feel confident that we can demonstrate to the private sector the value of their participation in the solution to Southern California's, and the state's, goods movement challenges. The result will benefit us all.

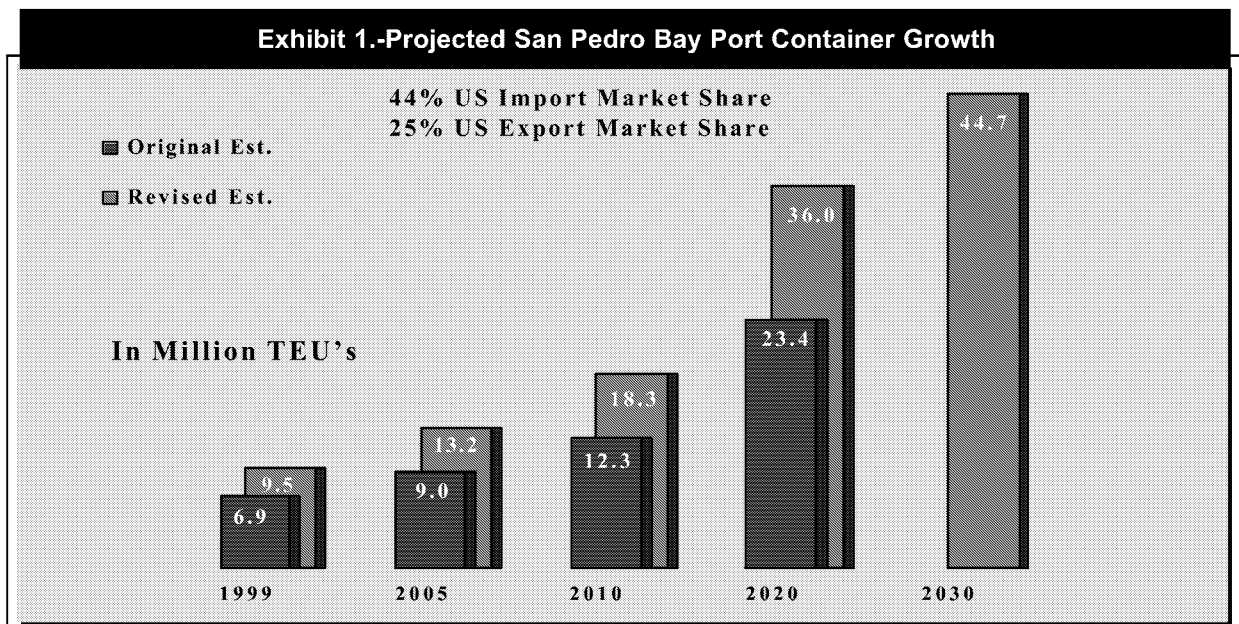


Goods Movement in Southern California: The Challenge, The Opportunity, and The Solution

September 2005

This report summarizes recent work done by the Southern California Association of Governments (SCAG) focused on solutions to the issues of goods movement in the SCAG region and beyond.

The Challenge. Southern California faces an extraordinary economic opportunity and a frustrating policy dilemma. The rise of Asian trade through Los Angeles and Long Beach harbors to the nation has given the area its first clear-cut competitive advantage for the creation of good-paying blue collar jobs since the rise of aerospace after World War II. A 1,381,000-job economic strategy aimed at providing entry into the middle class for some of the 44.2% of local adults with no college experience is now possible. But with the San Pedro Bay ports handling 43% of containers entering the U.S., our region is starting to drown in a sea of trucks and trains plus the fumes and noise they produce. Can we identify and implement the infrastructure projects, environmental policies and funding mechanisms to harness this opportunity or must California lose a chance to raise the prosperity of thousands of its families? That is the dilemma facing today's generation of analysts, activists and leaders.



The Opportunity. Southern California's new competitive advantage starts with the fact that countless manufacturers now realize that Asia's labor costs are a fraction of those in the United States. An increasing share of the world's production has thus migrated to countries like China. Price competition between retailers like Wal-Mart, Costco and Home Depot has caused them to

increasingly rely on Asian goods to stock their shelves. In Southern California, a result of this phenomenon has been the soaring container volume handled by Los Angeles and Long Beach harbors. In 1999, 9.5 million TEU's (20-foot equivalent container units) were processed. In 2004, it was 13.1 million, up 38.2% (*Exhibit 1*). By 2030, the ports forecast that volume could reach 44.7 million, triple the figure today.

Meanwhile, the 2004 volume figure included 6.8 million of the 15.8 million TEU's that entered the U.S., a 43.0% share. It included 1.8 million exported containers or 22.9% of the nation's total. On the import side, several relatively obvious factors create a competitive advantage for retailers to move goods through Southern California (*Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Ventura counties*):

- Its ports are on the West Coast nearer to Asia.
- Its population of over 16.5 million constitutes a huge internal market.
- The size of its port operations allows them to handle more volume than Oakland, Seattle-Tacoma or Vancouver. Mexican competition is currently theoretical.
- As giant post-Panamax ships (8,000-TEU ships & up) come on-line, Oakland cannot accommodate them as San Francisco Bay is too shallow.
- The landside rail and freeway connections to U.S. markets from Seattle-Tacoma and Vancouver are limited compared to Southern California. So also is their intermodal capability and access to goods transloading, consolidation and storage facilities.
- Ocean carriers prefer to drop off cargo bound for Southern California's huge internal market, first, and simultaneously off-load containers bound for inland areas. Then, they proceed to other West Coast ports.

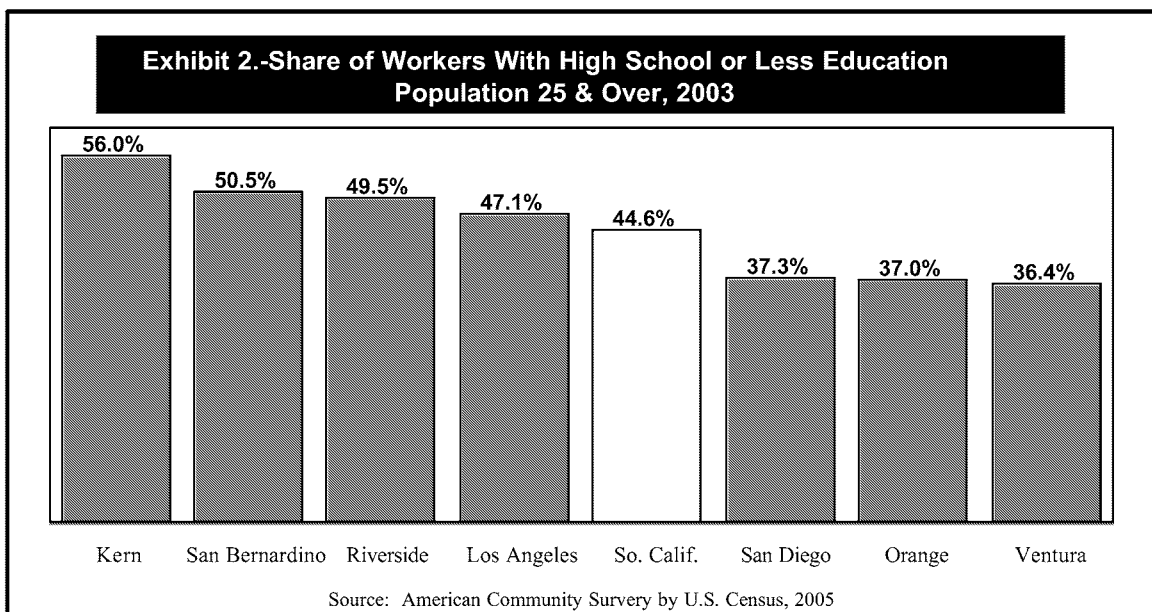
Less obvious is why large high value shippers with multiple U.S. markets prefer to ship to Southern California's ports and use local facilities to consolidate and transload goods to relatively expensive trucks or trains for nationwide delivery. Their option is to use inexpensive ships to take their goods to multiple U.S. ports nearer those markets. However, while that choice would save on transportation costs, retailers would have to spend 18% to 20% more on inventory. According to a recently completed Port and Modal Elasticity Study commissioned by SCAG from UC Berkeley Professor Robert Leachman,¹ this is the case for three reasons:

- The longer the lag between each market's sales forecast and the arrival of inventory, the higher a retailer's inventory size and cost, since sales conditions often change. If a firm ships directly to several markets via multiple ports, each sales forecast must be made while its goods are still in Asia ... **4-7 weeks** before delivery. By shipping to Southern California and using local transloading facilities, the firm's sales forecasts in each market can be made just **1-2 weeks** before delivery, lowering the risk of forecasting errors and cutting the size and cost of the inventory it must order.
- The longer the sales-to-delivery time lag (because of potential problems along the supply chain path), the higher a retailer's inventory size and cost will be. If a retailer sends goods directly to 12 markets, and a truck with goods for one misses its ship, 11 markets will get all their goods and **one will get none**. By shipping to Southern California and using local consolidation facilities, the firm can send each market **11/12^{ths}** of its order, spreading the risk and reducing its needed "safety" inventory in each market.

¹ SCAG, Port & Modal Elasticity Study, by Dr. Rob Leachman, Leachman & Associates LLC, September 2005.

- The more a retailer's individual products are worth, the higher its inventory cost. This is the case because the cost of inventory is magnified for expensive goods ordered to guard against sales forecasting errors made 4-7 weeks out while goods are in Asia. So also are the costs of inventory ordered to ensure that each market is protected from supply chain disruptions. High value retailers are thus the most likely to ship to Southern California and manage their inventories via local consolidation and transloading.

Given the importance of time in these calculations, it is possible for Southern California to lose this competitive edge. This was seen in the fall of 2004 when 93 ships were tied up in San Pedro Bay because of the inability of the ports to unload them and move freight through their gates in a timely manner. It was twice seen in rail delivery disruptions: first, when the consolidation of Union Pacific and Southern Pacific railroads slowed the movement of freight out of Southern California; and second, in early 2005, when torrential rains and landslides disrupted the movement of freight from the area. Meanwhile, the congestion along the freeway routes is slowing the movement of interstate trucks from the ports through Cajon Pass (*I-15 freeway*) and San Gorgonio Pass (*I-10 freeway*). And growing neighborhood opposition to port, rail and freeway expansion due to diesel fumes, noise pollution and lack of grade separations may prevent the expansion of infrastructure to deal with these delays. Already, several retailers have built alternative facilities across the country to guard against Southern California's emerging difficulties.



The Potential Benefits. If Southern California can maintain its competitive advantage for handling the growing volume of goods movement and solve the issues of congestion, diesel emissions, and community impacts, significant benefits will flow to its labor force, the firms involved in goods movement and the people living near transportation facilities.

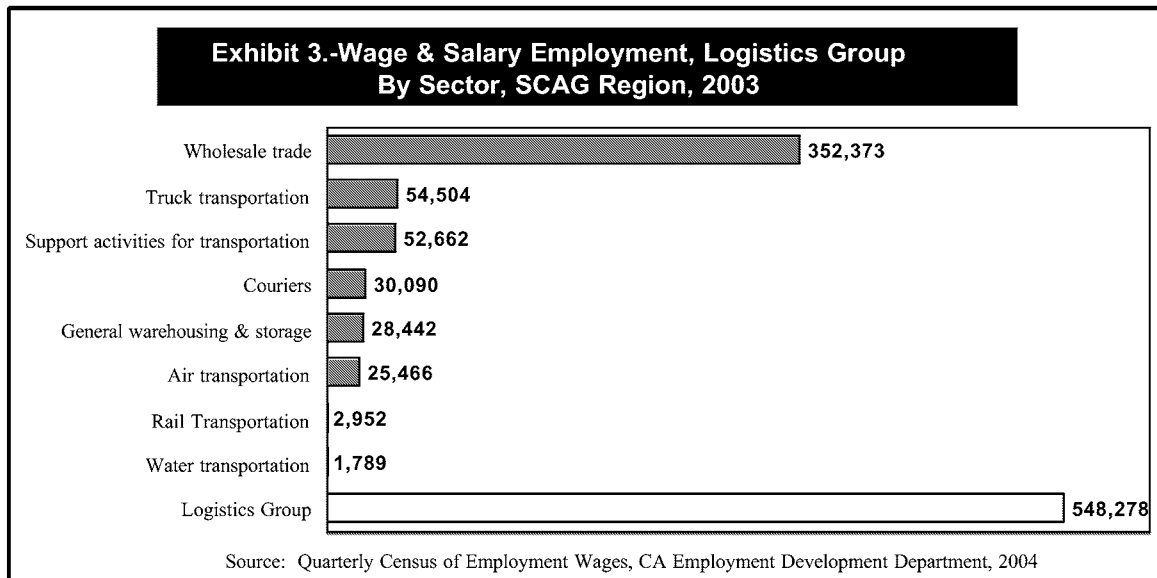
Labor Force Benefits. According to the 2004 SCAG study *Logistics and Distribution: An Answer to Upward Social Mobility*, by Dr. John Husing of Economics & Politics, Inc.,² in 2003, the American Community Survey found that 44.6% of the residents of Southern California (*including Kern County as the newest area feeling the outward expansion of the region*) had stopped their formal education at high school or less (*Exhibit 2*). It was half or nearly half the

² <http://www.scag.ca.gov/goodsmove/pdf/HusingLogisticsReport.pdf>

population in Kern, San Bernardino, Riverside and Los Angeles counties.³ It was a little over one-third of the population in San Diego, Orange and Ventura counties. Historically, this population could have achieved upward economic and social mobility through the high entry-level pay and on-the-job learning traditionally associated with the manufacturing sector. However, that sector lost 324,800 jobs in California from 2000-2004 (17.5%), in part due to the rise of Asian competition.

Today, the logistics industry offers the possibility of replacing manufacturing as a source of rising incomes for workers with this type of educational background. This is the group of sectors involved in receiving, processing, storing, and moving goods. Altogether, the group included 38,706 firms in 2003 employing 548,278 workers (*Exhibit 3*). Importantly, the median and average pay levels in logistics are a little over \$2,000 higher than manufacturing and \$4,000 higher than construction, the other major blue collar sectors. The logistics industry includes:

Wholesale Trade (NAICS 42)	General Warehouse & Storage (NAICS 493)
Truck Transportation (NAICS 484)	Air Transportation (NAICS 481)
Support Services For Transportation (NAICS 488)	Rail Transportation (NAICS 482)
Non-Local Couriers (NAICS 492110)	Water Transportation (NAICS 483)



Forecasts by SCAG’s economic staff have found that by building the infrastructure to accommodate the growth of international trade and clean up its worst environmental side-effects, some 1,381,000 jobs can be created in Southern California (*Exhibit 4*). Of these, 325,000 would come from the natural increase of logistics if it is allowed to grow. Another 95,000 logistics jobs would be added due to the increased efficiency of the region’s transportation network. The construction and maintenance of the new transportation infrastructure would add another 277,000 jobs. The balance of the job growth would come from the growth of the general economy due to the expansion of transportation efficiency (83,000), plus the investment in phase 1 of the Maglev system from Los Angeles International Airport to Ontario International Airport (91,000) and multiplier impacts of this investment spending (510,000).

³ Note: Imperial County data unavailable for 2003. The figure was 62.9% in 2000.

Exhibit 4.-Logistics Investment, Job Creation, 2005-2030	
Activity	Job Creation
Logistics Natural Growth	325,000
Logistics: Additional Growth Due To System Efficiency	95,000
Rail Capacity, Grade Separation, Truckway	277,000
Rest of Economy Growth: System Efficiency	83,000
Maglev LAX-ONT	91,000
Multiplier Impacts	510,000
TOTAL	1,381,000

Transportation Sector Benefits. If the infrastructure is to be built that would allow Southern California’s logistics sector to become a job engine, the companies involved in goods movement must find that it will increase the speed and reliability of their operations in substantial and measurable ways. That was the message that emerged from extensive roundtable discussions between the shippers and the agencies concerned with improving the system.⁴ To determine whether this was the case, SCAG’s staff created metrics to measure potential improvements in speed and reliability. These have been presented to industry for peer review:

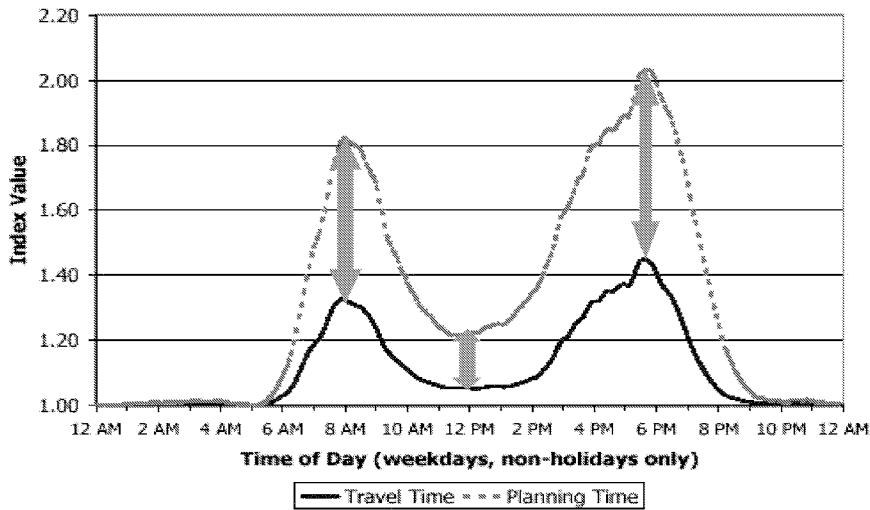
- **Speed.** Working with Federal Highway Administration data,⁵ it was determined that the cost of moving a container load of freight averaged between \$25 and \$200 per hour, depending on the nature of the load. SCAG chose \$73 per hour as a very conservative estimate.
- **Reliability.** It was also determined that congestion delays could increase that cost from 50% to 250% depending upon the time of day.
- **Time Chart.** Using data derived from Caltrans freeway sensors, a customized model of Southern California’s freeway system was created to estimate travel speeds for typical highway trips (*Exhibit 5*).⁶ The result was a travel time index by hour showing the typical speed pattern from a value of 1.00 (*trip time at speed limit: 10 p.m. to 5 a.m.*) to 1.42 (*trip time up to 42% longer due to expected traffic delays from 5 a.m. to 10 p.m.*).
- **Reliability Chart.** In addition, depending on the likelihood that unexpected traffic or accidents would increase the typical trip times, a factor must be added for trip planning time (*Exhibit 5*). This “buffer time” is an allowance a shipper would have to include to ensure that goods reach their destination on schedule. This factor also varied by hour of the day. No buffer time is typically needed when the freeways are empty, from 10 p.m. to 5 a.m. At peak A.M. travel, the buffer pushes planning times up to an index value of 1.80 at 8 a.m. (*80% longer than at speed limit*) and 2.00 at 6 p.m. (*double the time compared to travel at speed limit*).

⁴ Roundtable meetings have been convened by SCAG in February, May, and August 2005.

⁵ Federal Highway Administration, Freight Management and Operations: Measuring Travel Time in Freight-Significant Corridors, <http://www.ops.dot.gov/freight/time.htm>

⁶ Caltrans Freeway Performance Measurement System (*PeMS*)

Exhibit 5.-Planning Time By Time of Day, 2030



Using this model, the 2030 time period was used to estimate the impact on time and reliability if **separate truck lanes** were built. These would free trucks from automotive traffic and allow them to move at higher speeds with fewer delays. The model compared this situation to that faced by cargo carriers if no transportation projects other than those currently planned were built. Savings were measured in terms of *travel minutes saved* as well as *planning minutes saved* due to not making such large contingency or buffer allowances. The time savings in minutes were converted to fractions of an hour and multiplied by \$73 to estimate the cost savings to a shipper from having the separate truck lanes available to them.

Exhibit 6.-Value Of Infrastructure At A.M. Peak Travel Times, 2030				
TO/FROM Harbors:	Travel Minutes Saved	Planning Time Saved	Total Time Saved	Value of Time Saved @ \$73/Hour
Downtown TO	26	59	85	\$103
FROM	30	68	97	\$118
Ontario TO	62	130	192	\$233
FROM	88	210	298	\$361
Victorville TO	96	189	285	\$345
FROM	128	276	405	\$490

Three scenarios were investigated for typical trips between the harbors and downtown Los Angeles, Ontario or Victorville. The maximum savings was a trip to the harbor from Victorville during A.M. peak travel times. In 2030, a shipper would save 128 actual minutes and another 276 in contingency or buffer minutes for a total of 405 fewer minutes allowed for a shipment. That would be 6.75 hours. At \$73 per hour, the total speed and reliability savings would be \$490 per trip (*Exhibit 6*).

This methodology is now available to test whether it would be worth it for transportation firms to invest via fees to use the dedicated truck lanes to help repay the monies needed to build the system. The philosophy is that if the shippers can earn more from the speed and reliability improvements of the system than it would cost them to use it, it would be in their interest to invest. Otherwise, the system will not be built. *Note that the fee would only be charged after the system was built and truckers were using it.*

Environmental Benefits. It is an axiom of California politics that major infrastructure projects are impossible unless the environmental and health communities are satisfied that the program will, at worst, do no harm, and at best, decrease environmental problems. In the case of the logistics infrastructure needed to energize Southern California's blue collar job growth, the key will be whether the measures associated with the program will reduce the impact of particulate matter and NOx (*nitrogen oxides*) from diesel fumes and congestion, plus the traffic idling and noise pollution associated with a lack of rail grade separations. This will be a necessity.

One measure would be an effort to speed the investment in Tier III (*lower diesel-emitting*) railroad engines and similar requirements for truck engines. This would help residents near the ports and the region's intermodal yards. A corollary would be the purchase of the oldest and dirtiest trucks to remove them from the fleet. In the harbor areas, a major issue is emissions from ships that burn low-grade bunker fuel. Here, there are a variety of proposed strategies. One is "cold ironing" at the docks so that the power used by ships comes from the electrical grid, not on-board diesel engines. Another is a requirement for ships to move at slower speeds so they use less fuel. A third would be to encourage U.S. Senate ratification of the MARPOL (*marine pollution treaty*) Annex VI and to form a North American SECA (*Sulfur Emission Control Area*) to require 1.5% sulfur fuel.

To help residents along freeway corridors, PierPASS has instituted the OffPeak program (*beginning July 2005*) to push truck trips into the evening and weekend hours to reduce the impact of big rigs on both truck and automobile congestion and idling. A corollary is the potential creation of an Inland Empire truck port where loads could be left at night and distributed by local tractors to warehouses that are not open at night. Also under consideration is the virtual matching of in and outbound container loads so most containers moving to and from the harbors are full. The matching would stop the towing of empty containers from the hinterland to the ports after an import delivery is made, only to have them return as empties to the same area to be loaded with exports. Still another proposal is the idea of using short haul rail to move the 1.24 million containers that the Alameda Corridor Transportation Authority has estimated are towed by truck to the Inland Empire.⁷ They would then be taken off the trains and towed by local trucks to warehouses.

Along the rail corridors from the terminus of the Alameda Corridor through to the deserts, there are numerous at-grade rail crossings. With the rising volume of rail traffic, these crossings are holding up traffic for long periods. This includes emergency vehicles. The whistles required at these locations are a constant irritant to neighbors. As part of any comprehensive solution to Southern California's logistics system, grade separations must be built throughout.

As indicated, unless the environmental aspects of Southern California's logistics system are addressed, it is unlikely that the political system will allow the infrastructure to be built to allow it to function more efficiently. These issues therefore must be addressed.

The Solution. Fortunately, the path to solving the issues described here is becoming evident. This has begun with the determination of the projects to be built if the system is to attain the efficiency levels necessary to convince shippers to expand in the area and create jobs within it. Stakeholders in the SCAG region have contributed to the development of an unprioritized goods movement project list totaling \$26.2 billion (see Table 2 in the Southern California Regional Strategy for Goods Movement: A Plan for Action, February 2005, published by SCAG⁸). To

⁷ Alameda Corridor Transportation Authority, *Consolidation Activity in Southern California Area* prepared by BST Associates

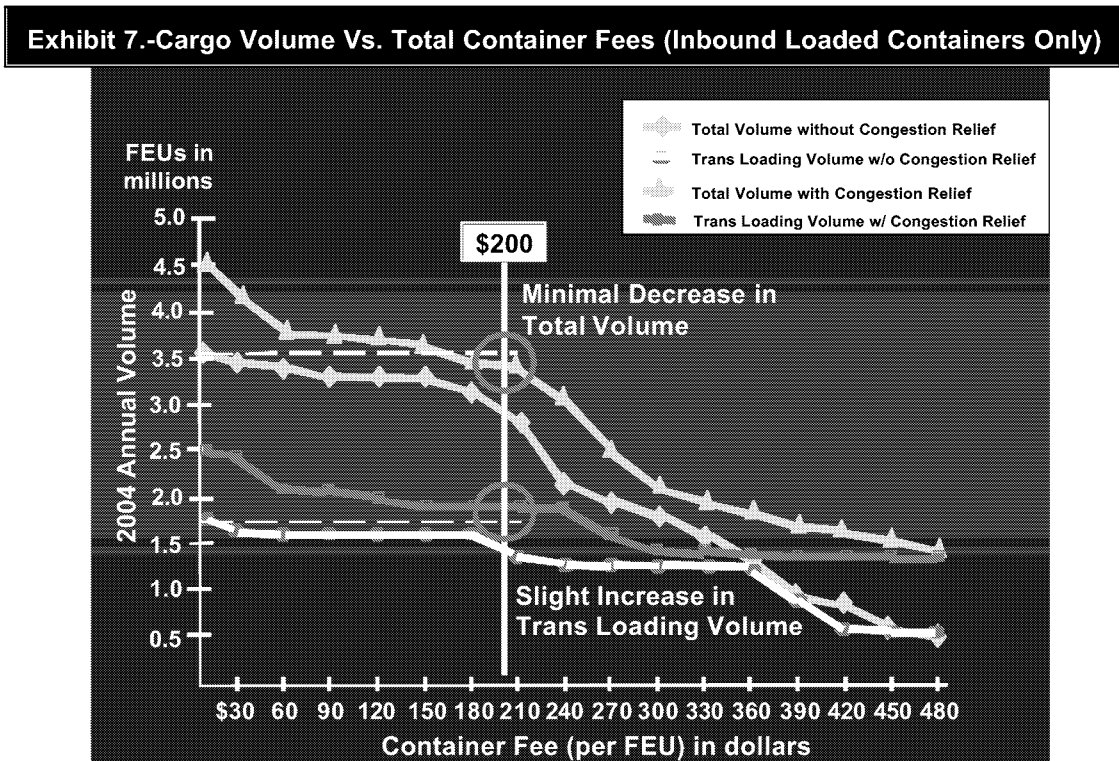
⁸ <http://www.scag.ca.gov/goodsmove/pdf/GoodsmovePaper0305.pdf>

develop further detail and priorities, the Multi-County Goods Movement Action Plan is being undertaken with pooled funds from the county transportation commissions, Caltrans, and SCAG.

In addition to these \$26.2 billion in infrastructure projects, it is essential that the region set aside funds for the environmental strategy that must accompany them. Initial estimates of the cost to fully mitigate the impacts of freight-related diesel usage on public health and the environment vary widely. However, SCAG’s estimates show that it would be possible to finance an additional \$10 billion, beyond the \$26.2 billion for infrastructure, specifically for environmental mitigation.

Elasticity Study. The purpose of the Port & Modal Elasticity Study mentioned above was to determine the impact on the volume of trade entering Southern California if the infrastructure system allowing increased speeds and reliability is built, and after it is available various levels of user fees are charged to use it, with the funds invested in helping to retire the construction debt.

As summarized above, the study showed that it is in the interest of *high-value product* shippers to manage their inventories by shipping to the ports of Los Angeles or Long Beach and using local consolidation and transloading facilities to move their merchandise to various U.S. markets by truck or train. This allows them to assign cargo to various markets just three days before ships reach port, reducing the impact of sales forecasting errors and supply interruption risks.



The elasticity model was built using actual information provided by shippers about the economics of their shipping decisions to determine how container fees would affect Southern California’s cargo flows. Two types of cargo movements were analyzed. **Total Cargo** includes containers involved in transloading (T/L) and thus the creation of local jobs, as well as containers that go directly onto trains and leave the region without creating local jobs. The second is **Transloaded Cargo** only. Further, two scenarios were analyzed. In one, fees are charged but the funds are not put into an infrastructure program. In the second, the infrastructure is built to reduce travel time and increase reliability for freight movement through the region. After the system is available, fees are charged to use it. The money is invested to help repay the debt incurred during construction. The results (*Exhibit 7*):

1. **Fees, No Infrastructure - Total Cargo** (*Second Line From Top*). If fees are charged and funds are not invested into infrastructure to increase the speed and reliability of the transportation system, there would be a steep loss of Total Cargo coming into Southern California. This is evident from the steep downward slope in this line as fees go up across the bottom of the graph. For instance, at a fee of \$240, the total volume of cargo would be 2 million FEU's (*40-foot equivalent container units*) vs. 3.5 million with no fee.
2. **Fees, No Infrastructure - T/L Cargo** (*Fourth Line From Top*). If fees are charged and funds are not invested into infrastructure, there would be little loss in the 1.5 million FEU's of Transloaded Cargo coming into Southern California until the total fees reached \$180. This means that the advantage of managing inventory from the area near the ports more than offsets the fee for many shippers of this form of cargo. From \$180-\$360, the volume declines to about 1.25 million FEU's, again showing the strength of the area for these shippers. Above \$360, the volume of Transloaded Cargo falls off significantly.
3. **Infrastructure Built - Total Cargo** (*Top Line*). What if the infrastructure is built to reduce travel time and raise reliability on Southern California's goods movement system, and then user fees are charged to help repay the construction debt? The model predicts that Total Cargo traffic would increase at all fee levels. If the infrastructure could be built without a fee, volume would jump by 1 million FEU's from 3.5 to 4.5 million. However, starting at that higher level, increasingly higher fees levels would cause Total Cargo volume to drop precipitously as in case #1, though it remains higher at each fee level due to the more efficient transportation system. Note that even up to a fee of about \$200, total volume with relief of transportation congestion would be only 4% less than the volume with no relief and no fee (*upper circle*) – a loss of only 4% compared to the current situation.
4. **Infrastructure Built - T/L Cargo** (*Third Line from Top*). The most interesting case is that of Transloaded Cargo volume if the transportation infrastructure to relieve congestion is built, and later fees are charged to use the system to help repay construction costs. The model predicts that Transloaded Cargo traffic also jumps at all fee levels. If the infrastructure could be built without a fee, traffic would jump from 1.5 to 2.5 million FEU's. In effect, *almost the entire 1.0 million FEU gain in Total Cargo would come from an increase in job creating Transloaded shipments*. In addition, after some drop-off when a lower fee is charged, the model shows that transloading firms will continue to find it in their interest to operate from Southern California at fees from \$60 to about \$200.

A critical point is that a fee of \$190-\$200 charged to use the infrastructure once it is available leads to 12.5% more Transloaded Cargo (*lower circle*). The increased efficiency of the transportation system thus adds to job-creating Transloaded Cargo. However, Total Cargo does decline about 4.5%. This means the fee is chasing away Non-Transloaded Cargo that merely uses Southern California's ports and clogs up the local rail system as it leaves the region without creating jobs. **In effect, in this range, the fee increases cargo that creates jobs and frees rail capacity to help handle it.**

Financing Strategy. Combining the results of the Elasticity Study and Speed & Reliability Study yields serious lessons for strategies to finance Southern California's logistics system:

- The Elasticity Study finds that a \$190-\$200 fee *invested in a expanded goods movement infrastructure* would increase the volume of job-creating Transloaded Cargo.

- The Speed & Reliability Study showed the financial benefit to shippers of having access to a dedicated truckway (*reshown in Exhibit 8, column 1*). If a toll of \$0.86 per mile (*in today's dollars*) to use the truckway were assessed to repay the cost of building it, firms using it would earn a significant return on investment from the system with a speed and reliability cost savings of anywhere from 5.4 to 11.1 times the fee per trip (*Exhibit 8*). Note that these ratios are based on a conservative estimate for the value of time for cargo movement by truck, and could be much higher. Furthermore, this analysis is based only on the current configurations of trucks allowed in California.

Exhibit 8.-Value Of Infrastructure At A.M. Peak Travel Times, 2030				
TO/FROM Harbors:	Value of Time Saved @ \$73/Hour	Toll @ \$0.86/Mile	ROI Per Trip After Fee	Value Ratio
Downtown TO	\$103	\$17	\$86	6.1
FROM	\$118	\$17	\$101	7.1
Ontario TO	\$233	\$32	\$201	7.2
FROM	\$361	\$32	\$329	11.1
Victorville TO	\$345	\$64	\$281	5.4
FROM	\$490	\$64	\$336	7.6

- The \$0.86 per mile fee could partially offset the estimated \$16.5 billion cost of building a regional truckway system.

Exhibit 9.-Freight Train Delays & Times, Impact of Improvements				
Harbors to Colton Crossing:	2010 Baseline	2025 With Track Improvement & Alternate Routing	Time Saving⁽¹⁾	Percent Saving
Average Delay Per Freight Train				
BNSF Railway	206.3	29.5	-176.8	-86%
Union Pacific	196.9	14.4	-182.5	-93%
Average Flow Time Per Freight Train				
BNSF Railway	299.5	123.8	-175.7	-59%
Union Pacific	284.5	98.8	-185.7	-65%

Note #1: Comparison is to 2010 as times & delays will be infinite in 2025 system with no expansion

- Meanwhile, the Speed & Reliability Study showed that by building expanded track and alternative route capability, the amount of delay and the time to move freight trains would decline dramatically (*Exhibit 9*). [2010 compared to 2025 as system gridlock results well before 2025 without expansion.]
- Container fees could partially or totally offset the cost of building the estimated \$3.4 billion in needed rail improvements and would yield very significant improvements in rail system's speed and reliability.

Financial Feasibility. Given this background, is it possible to build all or part of the \$26.2 billion in highway and rail transportation improvements to allow Southern California's economy to add over 1 million jobs related to logistics and, after the system is available, institute user fees to repay the construction financing that stay within the \$200 container fee limit where the elasticity study says the area gains its maximum trade benefit? What about financing the \$10 billion roughly needed for environmental projects? In each case, the answer is YES (*Exhibit 10*):

Exhibit 10.-Potential Goods Movement System Financing Options			
Project	Capital Cost	Fee Structure	Approximate Fee Range (assumptions)
No Project	\$0	None	None
Truckway Only	\$16.5 Billion	Container Fees & Truckway Toll	\$60 to \$70 Container Fee \$0.86 per Mile Truckway Toll (Level debt @ 5%, 30-35 Years)
Rail Improvements Only	\$3.5 Billion	Container Fees	\$15 to \$30 Container Fee (Low Fee: tax credit instrument) (High Fee: 5%, ascending debt; 20 Years)
Total Highway & Rail Improvements	\$26.2 Billion	Container Fees & Truckway Toll	\$120 to \$130 Container Fee \$0.86 per Mile Truckway Toll (Roads: level debt @ 5%, 30Yr, 35Yr, 40Yr) (Rail: tax credit & ascending debt for rail)
Total Highway & Rail Improvements & Environmental Mitigation	\$36.2 Billion	Container Fees & Truckway Toll	\$160 to \$170 Container Fee \$0.86 per Mile Truckway Toll (Highway/Environmental: Level debt @ 5%, 30Yr, 35Yr & 40Yr) (Rail: tax credit instrument & ascending debt)

Note that a \$0.86 per mile truckway toll in combination with a container fee of \$160-\$170 could finance both the \$26.2 billion needed for improvements to highways and the rail system and \$10 billion for environmental mitigations of the types described above – with a total impact within the \$200 threshold where the region’s trade could be hurt.

The Next Steps. Southern California has competitive advantages that will allow it to create well over 1,000,000 middle-class jobs related to the logistics sector if it undertakes infrastructure and environmental improvements that would allow these jobs to be created. The jobs are needed, given the 44.6% of the area’s adults with no college experience. Industry will benefit beyond their cost of helping build the infrastructure due to financial returns from the system’s increased speed and reliability. The region can capitalize on its existing competitive advantage – its huge natural market and significant existing investments in port and inland freight infrastructure – to attract higher-value freight to the region. Once the system is built and in operation, the user tolls or container fees needed to re-pay the \$36.2 billion in infrastructure and environmental projects, would be below the \$200 per FEU maximum that could hurt the region’s trade. Put together, Southern California appears to be in a position to execute an extraordinary long term economic development strategy.

What remains? To undertake the measures that can move the strategy forward:

- **Peer Review.** The research conducted on this issue needs to undergo peer review by the retailers, shipping companies and others with a financial stake in the system. If their analysts find that the system will serve their corporate interests, they will become the crucial link in convincing government entities to move forward with funding and implementation strategies. If they do not support it, the system will likely never be built.
- **Private Sector Leadership.** Ultimately, the development of the wide-ranging political and economic agenda required to move the strategy forward will require the leadership of private sector individuals with a vision for Southern California’s future. Their foresight and energy will be needed in encouraging federal, state, and local institutions and political leaders to make the decisions that can make a program of this importance a reality.

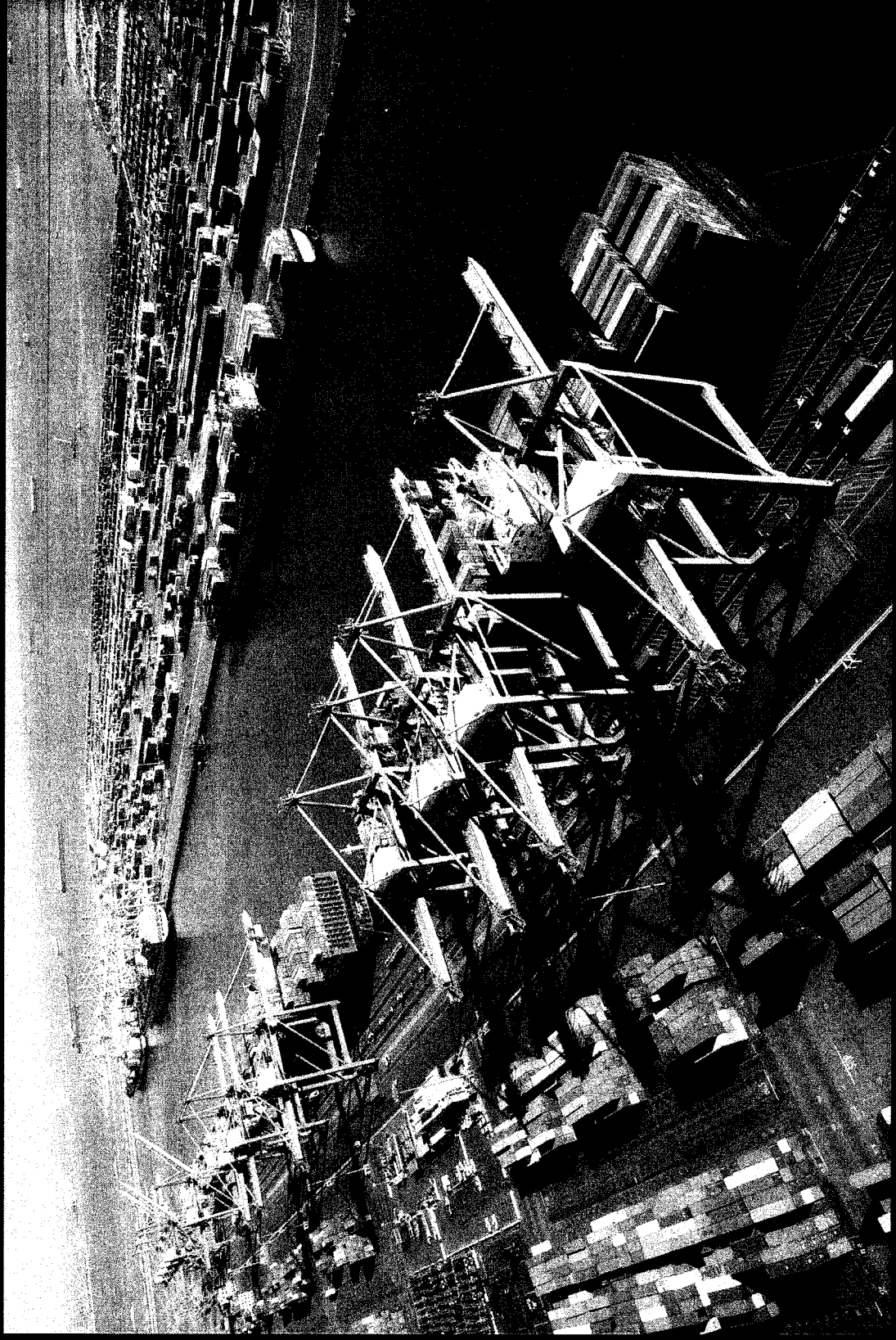
- **Political Leadership.** Southern California's state and federal delegations include several individuals chairing crucial committees. They can bring considerable influence to bear on acquiring financing, developing financial tools, and undertaking legislative initiatives that can move the strategy forward. Given the wide range of pressures on these officials, the region's private sector leaders and its agencies must ensure that its legislative delegations are aware of the issue, the emerging lines of strategies, and how they can use their influence to help craft solutions.
- **Environmental Agency Agreements To Cooperate.** Numerous environmental agencies at the local, state and federal level have begun to realize the extraordinary challenges that have been raised by the combination of growing international goods movement through Southern California and the lack of infrastructure, financing and environmental measures to deal with it. These agencies have begun expressing an interest in cooperating on this issue. A memorandum of understanding pledging cooperation and outlining how each can help bring an infrastructure and environmental strategy to fruition would be a helpful step in the process.
- **Federal and State Legislation For Infrastructure Financing Tools.** In the last column of Exhibit 10, there was a list of the kinds of credit instruments that could be used to lower the cost of funding the highway, rail and environmental measures needed for a logistics-based Southern California economic strategy. Legislation at the federal and state levels that could make such financial instruments available is of serious importance for moving ahead.
- **Creation of a Southern California Institution to Execute Infrastructure Construction.** No existing institution, under its current authorities, can manage the building of the wide range of infrastructure projects needed to implement the logistics-based economic strategy regionwide. Such an institution must be able to prioritize projects, undertake bidding, establish budgets, raise and repay funds and manage construction in all counties. The creation of such a Southern California-based institution will likely require legislation.
- **Establishment of Federal Infrastructure Financing Related to International Trade.** A crucial player in the long-term funding of the infrastructure and environmental projects needed for this Southern California economic strategy must be the federal government. Federal economic and trade policies are a major reason for the flood of goods now entering the U.S. Yet there is no federal financing structure tied to the landside issues of the port, rail and truck infrastructure needed to handle the movement of this trade. Whether it is port-related container fees, the dedication of a portion of tariffs to the goods movement infrastructure or some other mechanism, the federal government needs to begin playing a significant role in infrastructure financing.

Summary. The goods movement issue presents Southern California with its greatest economic opportunity in decades to create upward economic mobility for its workforce. This report has outlined the challenges, explained the opportunities and underscored the potential benefits of a logistics-based economic and environmental strategy. It has also laid out a route to implementing such a strategy and ended by explaining the steps that now need to be taken to move ahead. In many respects, the future outlined by this research is ours to grasp or let slip away.

Moving Goods in Southern California. Turning a Competitive Advantage into a Win for Communities and Businesses



LA/Long Beach Port Complex is Largest in the U.S. and 5th in the World



Southern California Association of Governments • Resolving Regional Challenges

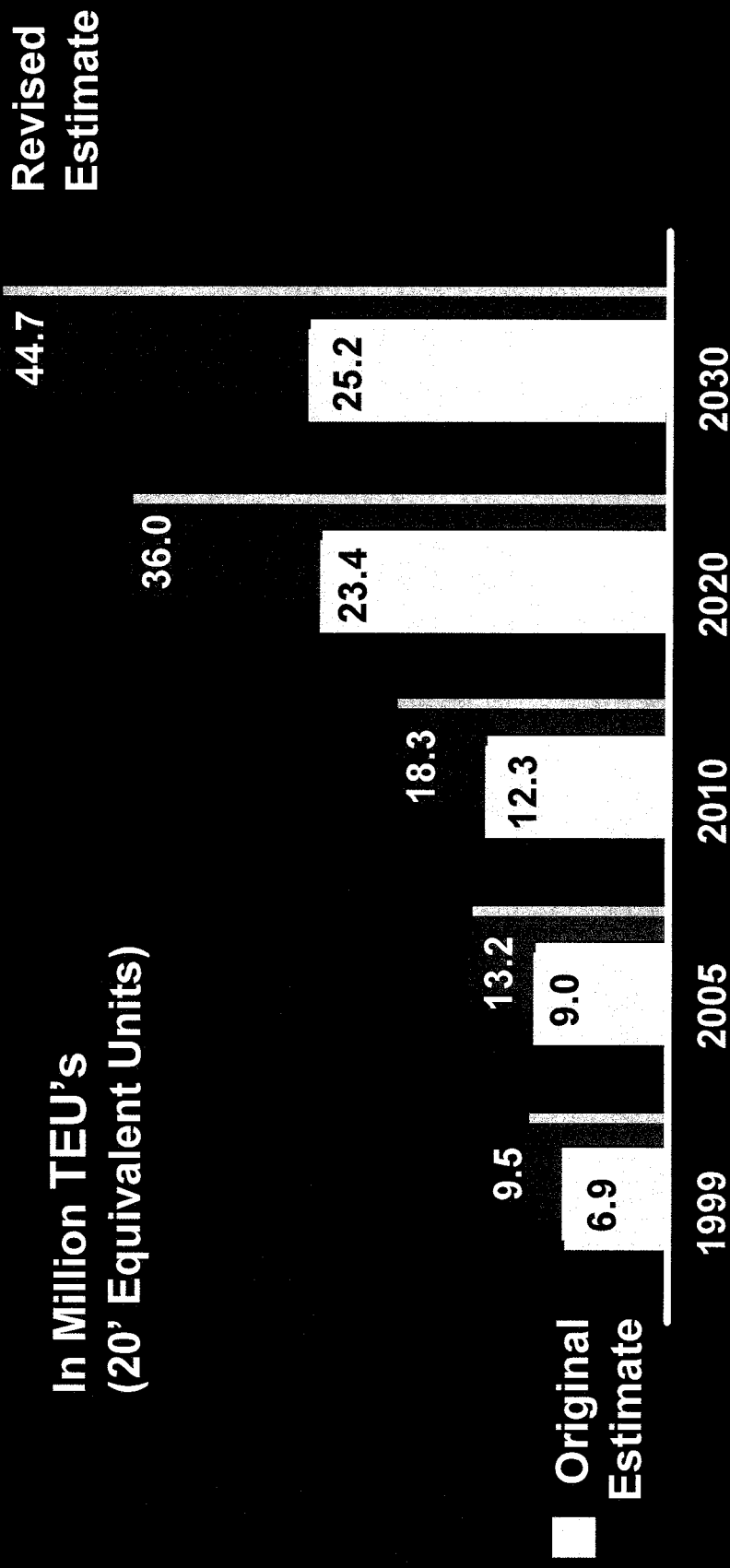
They Handle the Bulk of Asia – U.S. Containerized Trade

Port Region	Imports	Exports
LA-Long Beach	60.5%	39.7%
Other US West Coast	16.1%	30.8%
US Gulf + East Coasts	23.4%	29.5%

Shares measured on a TEU basis in 2003

Source: PIERS, courtesy of MARAD

Total LA/Long Beach Container Growth Projected to Triple in 25 Years

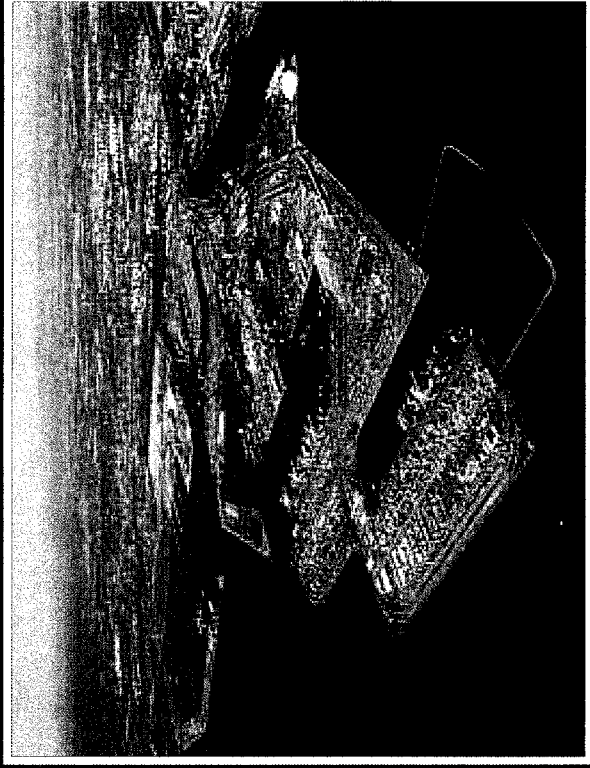


Source: POLA, POLB

Why Are These Sister Ports So Popular?



Los Angeles



Long Beach

They Can Handle These



8000-Container Panamax Ships

Southern California Association of Governments • Resolving Regional Challenges

They Have State-of-the-Art On-Dock Facilities



Southern California Association of Governments • Resolving Regional Challenges

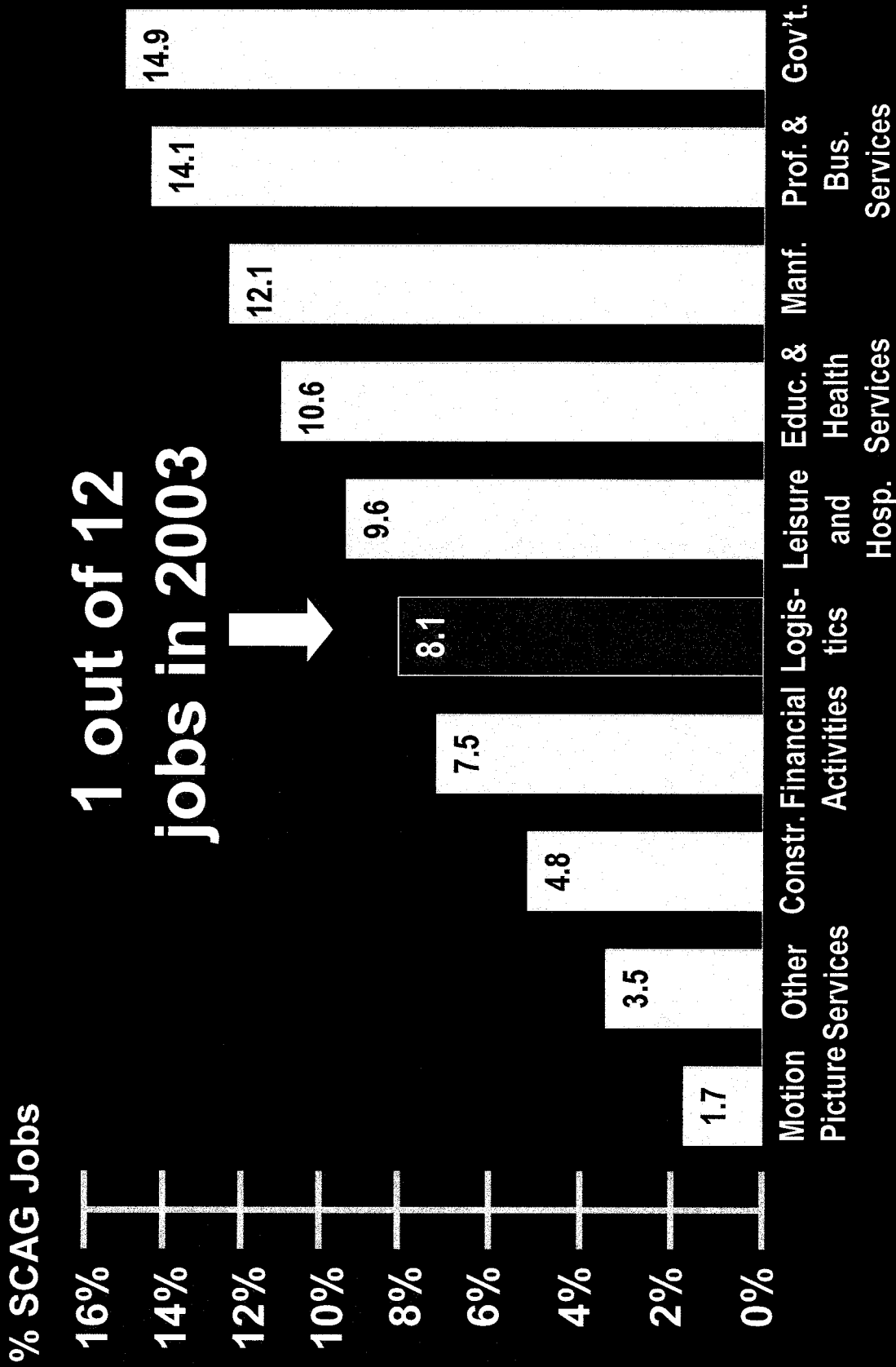
Inter-Modal Transfer, Consolidation and Distribution Facilities



That Currently Employ Over 500,000 Southern Californians



The Logistics Industry Provides Jobs to 8% of Southern Californians



And Those Jobs Pay Well

**Average
Annual Pay**

LOGISTICS **\$45,314**

MANUFACTURING **\$43,871**

CONSTRUCTION **\$40,439**

Job Growth in Logistics Could be Significant

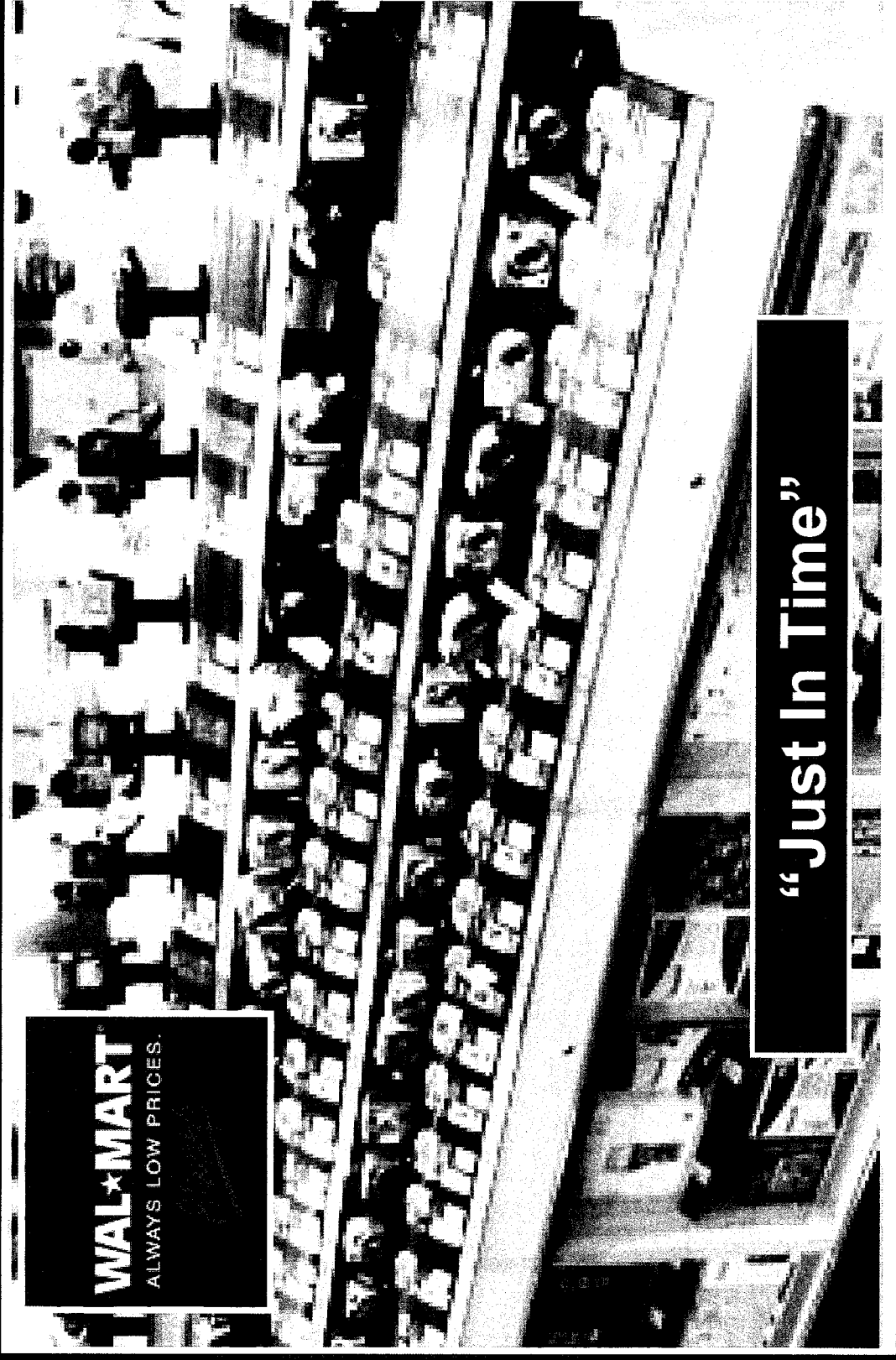
Logistics Investment, Job Creation, 2005-2030

<u>Activity</u>	<u>Job Creation</u>
Logistics Natural Growth	325,000
Logistics: Additional Growth Due To System Efficiency	95,000
Rail Capacity, Grade Separation, Truckway	277,000
Rest of Economy Growth: System Efficiency	83,000
Maglev LAX-ONT	91,000
Multiplier Impacts	<u>510,000</u>
	1,381,000

**good pay and upward mobility opportunities available
to a growing blue collar labor force**

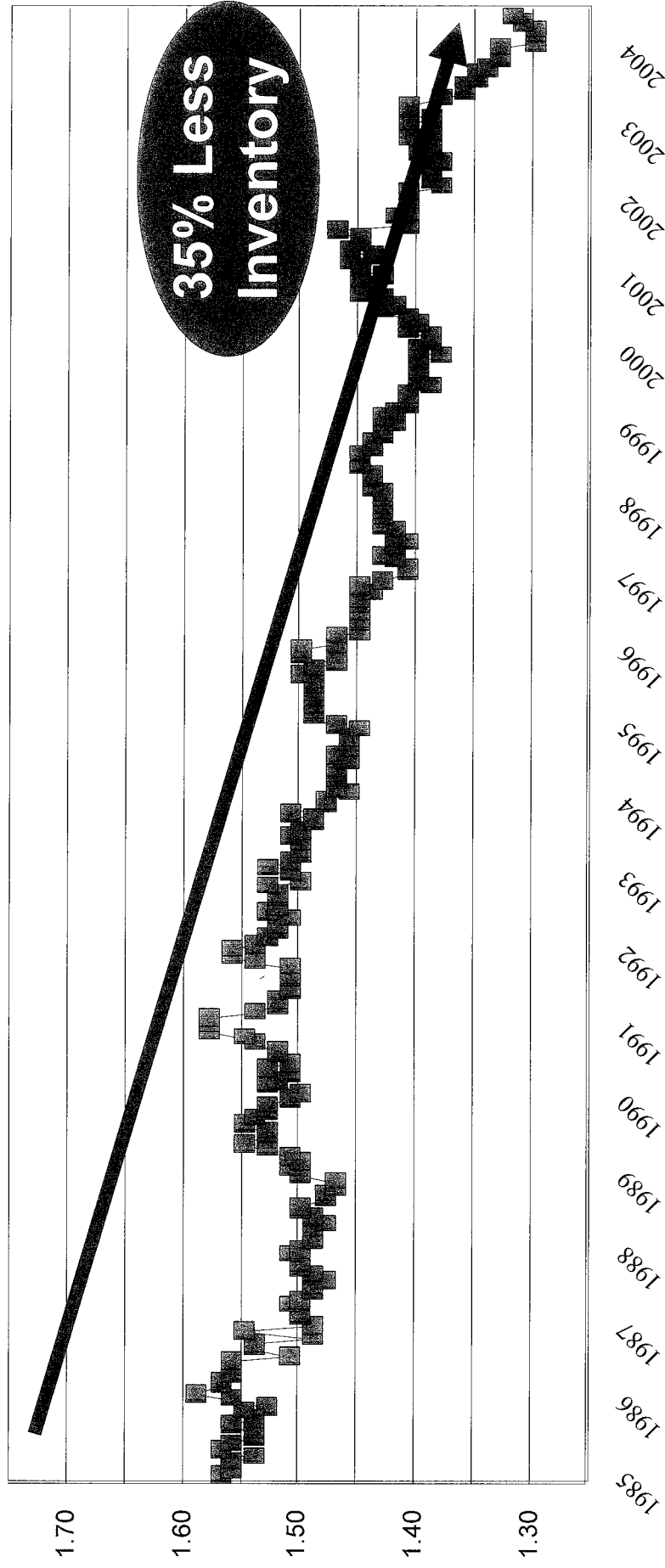
What Does the Logistics Infrastructure and Work Force Offer Shippers That Other Destinations Don't?

Exactly What Shippers Want



Carrying Less Inventory Saves Money

U.S. Inventory to Sales Ratios: 1985 - 2004



Source: U.S. Census Bureau

“Just-In-Time” Savings

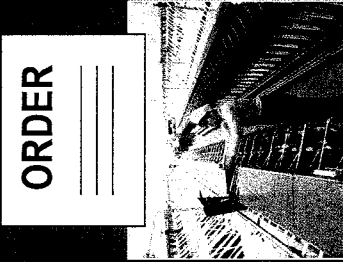
The trans-loading of weekly shipments from Asia affords large, nation-wide retailers an 18-20% reduction in their total pipeline plus safety stock inventory compared to direct shipping from Asia.

Assuming a 6% average error in nationwide one-week-ahead sales forecasts

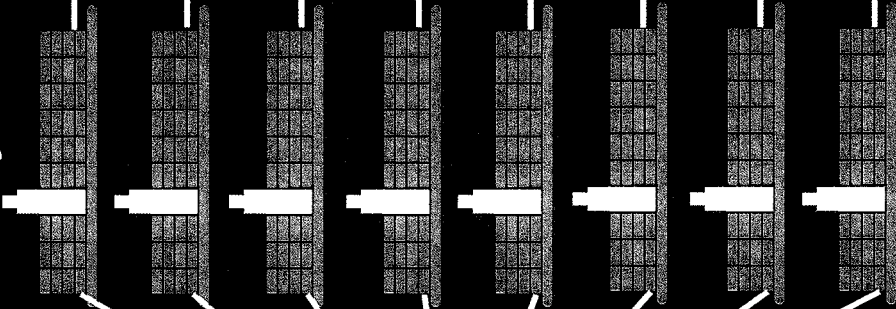
Leachman & Associates LLC

Direct, Non-Consolidated Shipping

Nation-wide
order placed
with Asian
Factory



Many Ships to
Many Ports

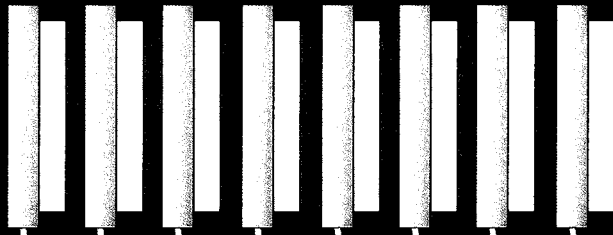


Depart Ports



Arrive at
Destinations

Retail
Stores



DAYS OUT:



Consolidated Shipping Time Savings

Nation-wide order placed with Asian Factory

ORDER



Fewer ships to select Trans-Loading Ports



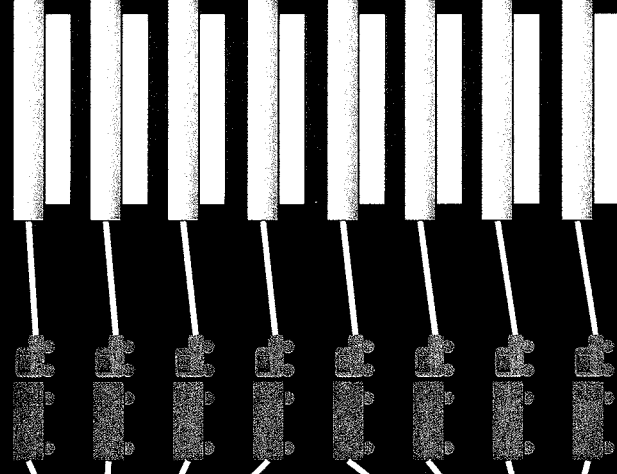
Goods can be allocated just before vessel arrives

Depart Destination Ports



Arrive at Destinations

Retail Stores



DAYS OUT:

75 - 100

25 - 37

5 - 9

1 - 9

Average of one month advantage

Allocated Only 6 - 18 Days Out

Inventory Management 101

Merchandise Value

Merchandise

Cheapest Shipping Method

Low Value (\$13/cu.ft.)

Direct Shipping

Moderate Value

Trans-loading at Multiple Ports

High Value (\$27/cu.ft.)

Trans-loading at Single Port

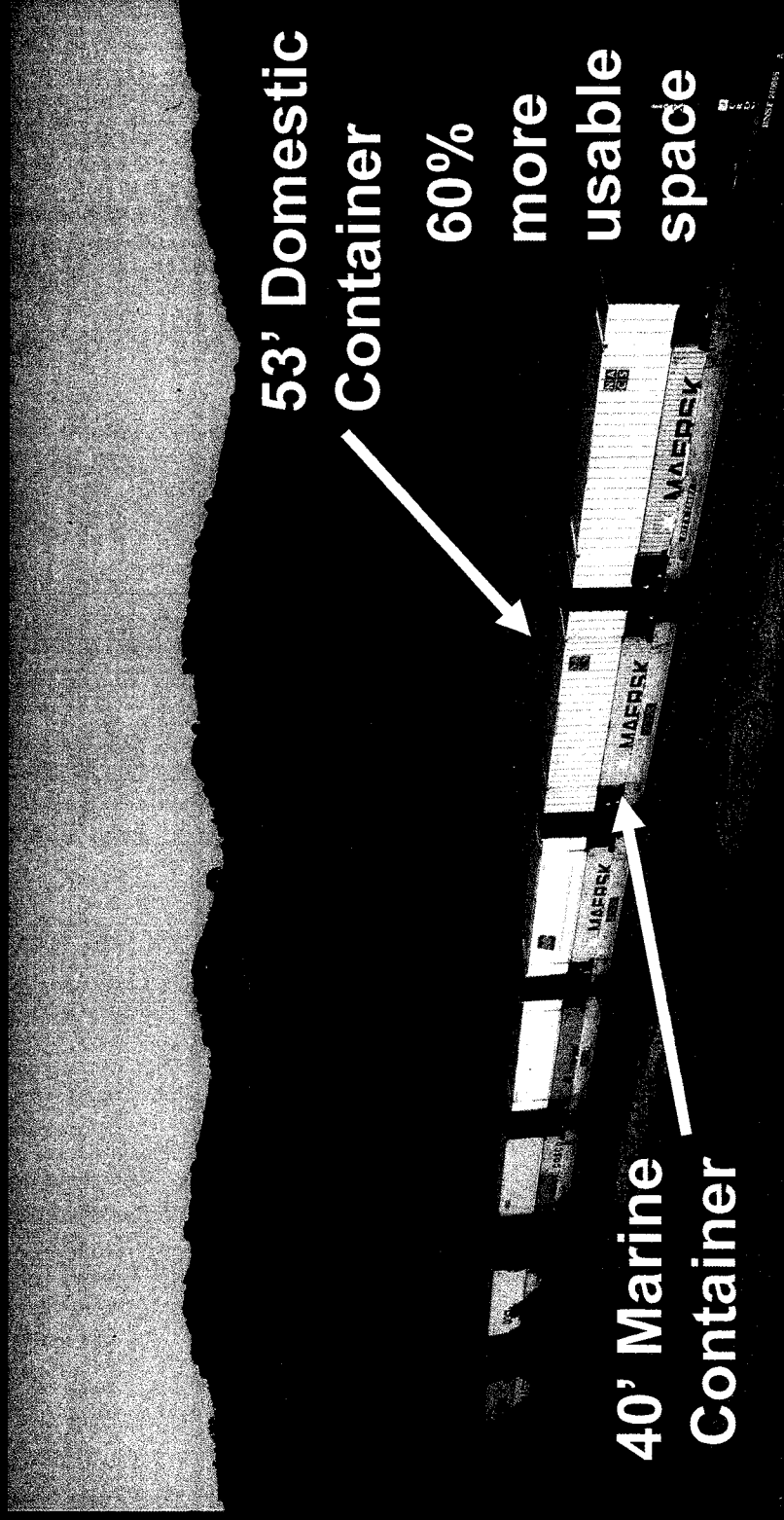
Inventory Cost vs. Transportation Cost

West Coast trans-loading ports = Lower Inventory Cost

Direct all-water shipping = Lower Transportation Cost

Leachman & Associates LLC
Port and Modal Elasticity Study

Transloading Economies



53' Domestic
Container

60%
more
usable
space

40' Marine
Container

Cost per cubic foot is what matters to an importer

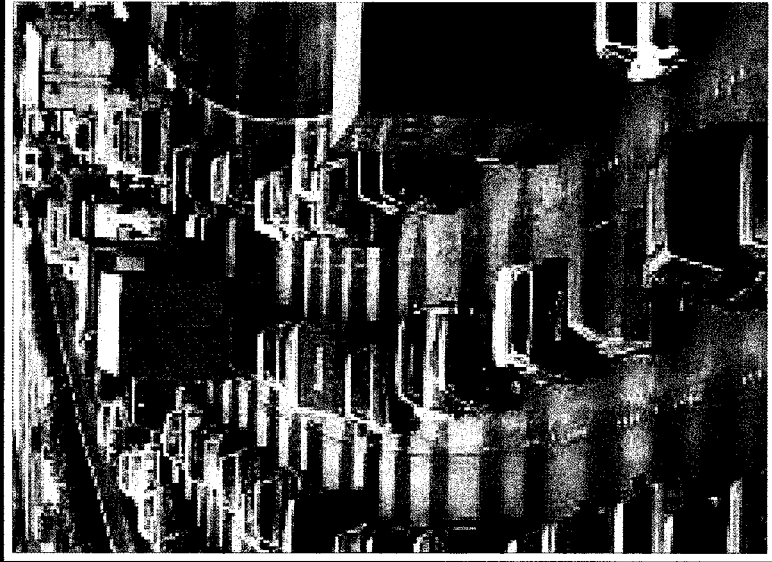
“Just-In-Time” Savings

The savings amount to over
\$1 Billion annually on inventory
interest alone.

Leachman & Associates LLC

Landside Congestion is Putting Our Advantage in Jeopardy

By
2025



Projected to nearly
double



Without improvements,
nothing will be moving

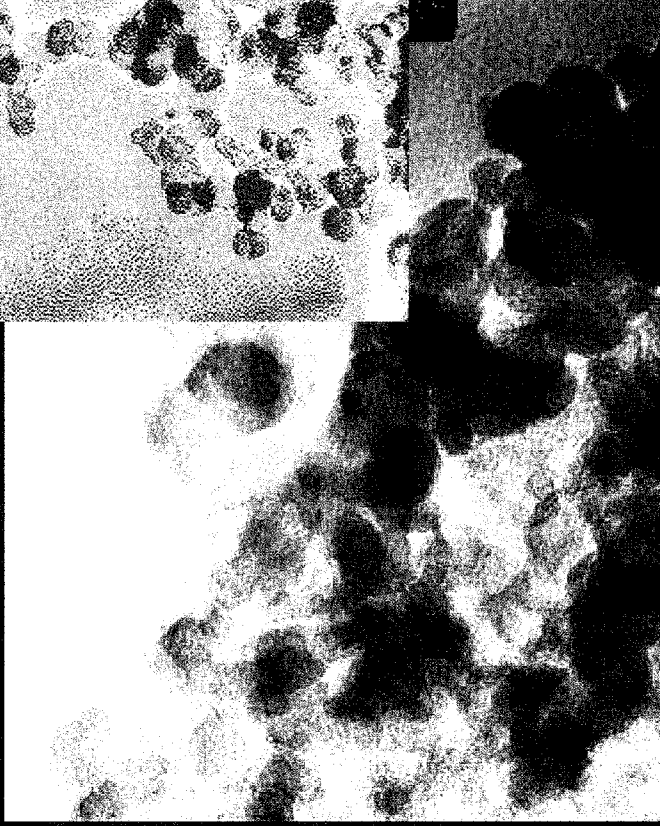
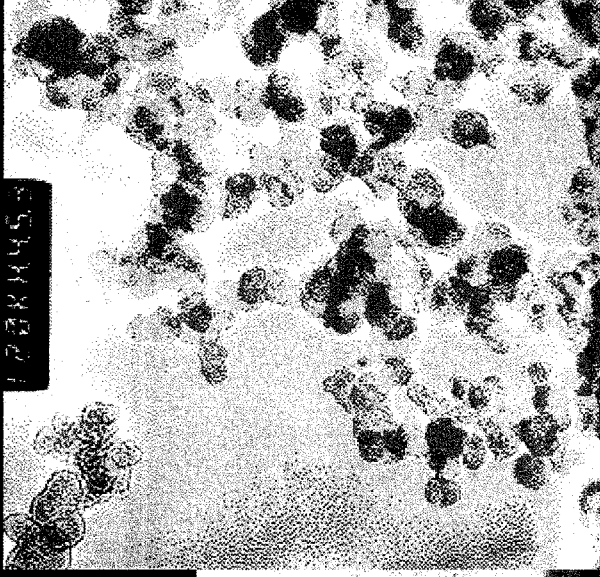
The Pollutants it Creates are Putting Our Health in Jeopardy



- Progress has stalled and diesel emissions from ships, locomotives and port complex are projected to increase
- The mega-region continues to have the worst air quality in the U.S.

Diesel Particulates Are at the Root of the Problem

They comprise
71% of the
major
pollutants
contributing to
cancer risk in
the South
Coast Air
Basin

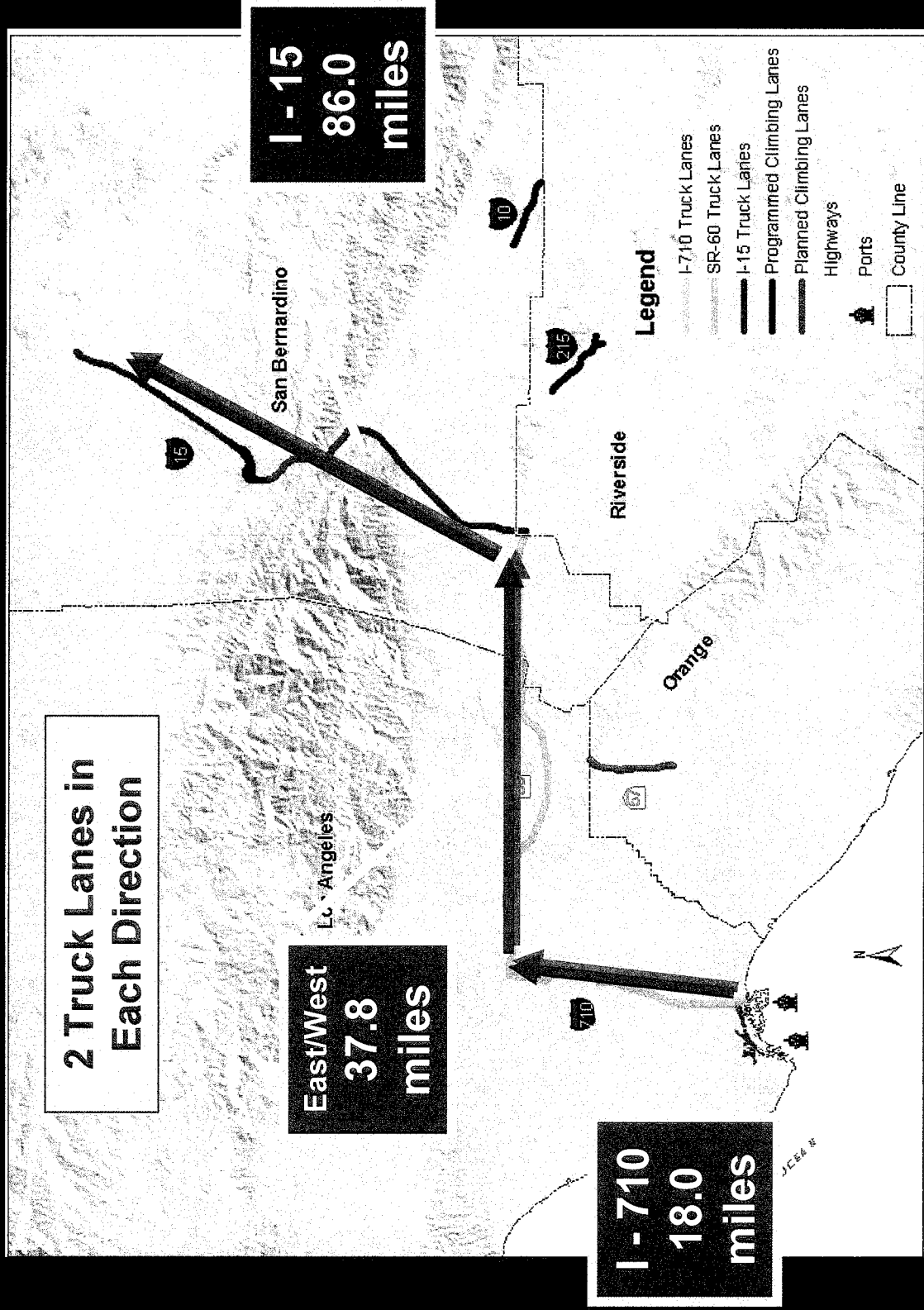


Source: SCAQMD, Multiple Air Toxics Exposure Study II, March 2000

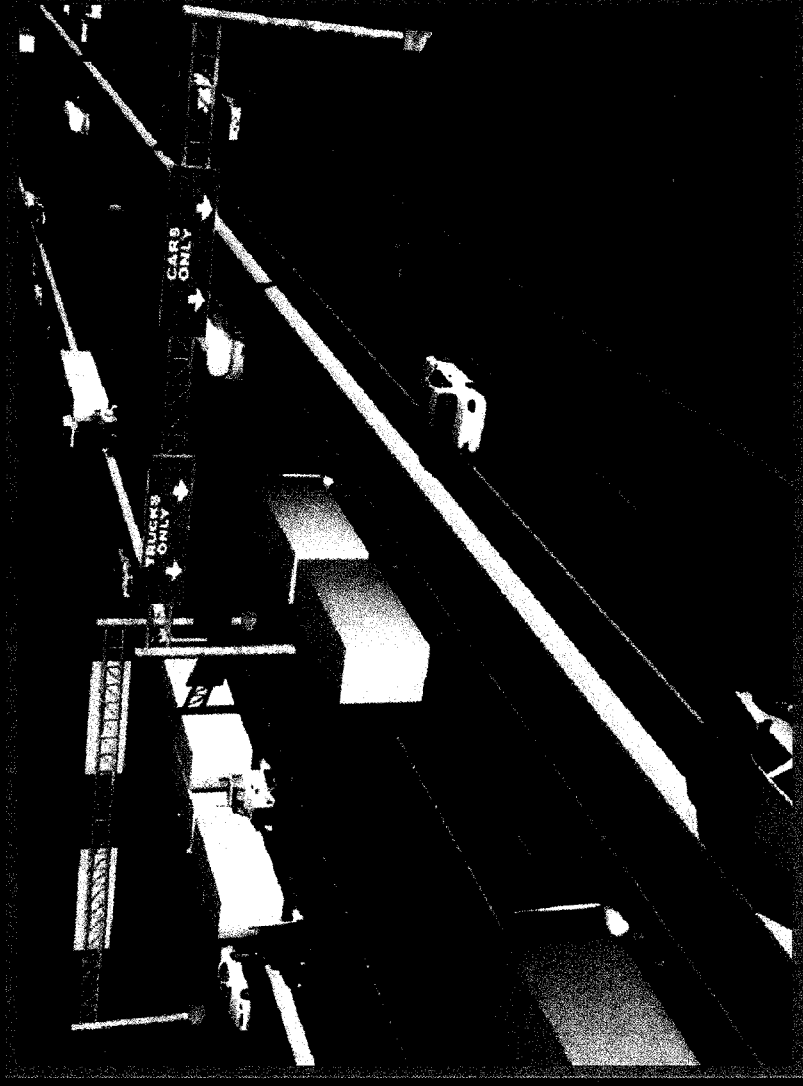
**Does the investment
required to make
transportation
infrastructure
improvements and employ
clean air strategies make
business sense?**

The investments and their price tags

Dedicated Truck Lanes

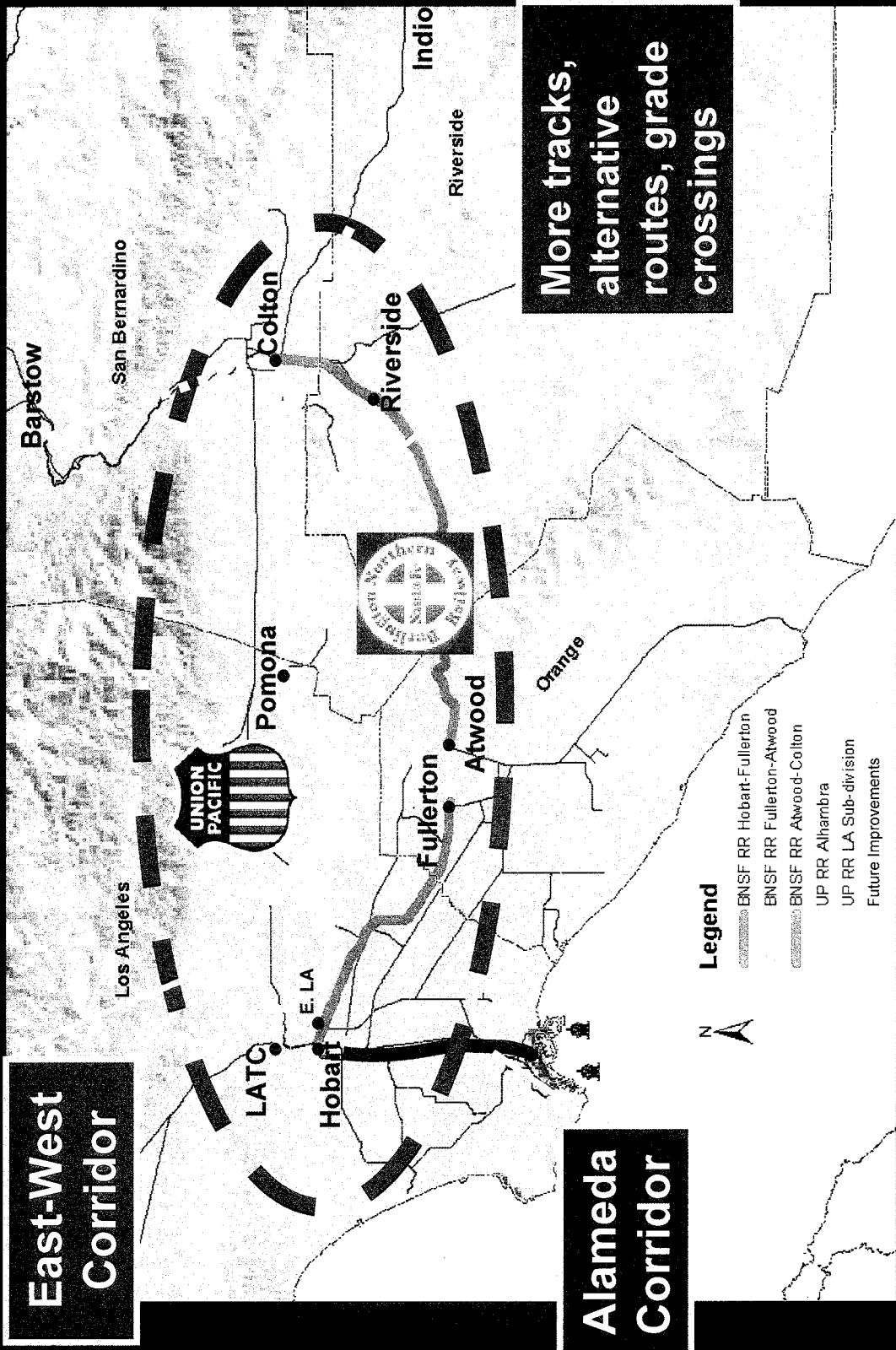


Separated from Car Lanes



Dedicated Right-of-Ways or Elevated Roadway

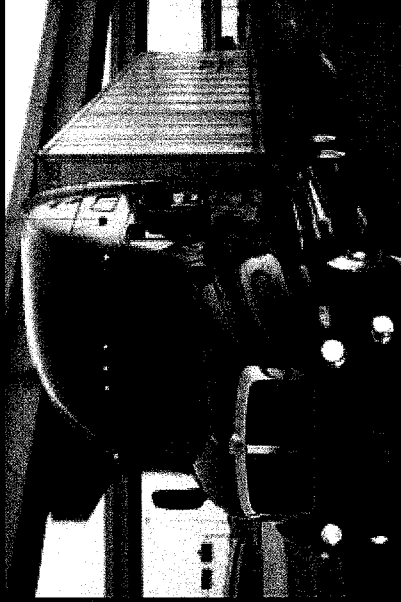
Rail Expansion & Improvements



Air Quality Improvements

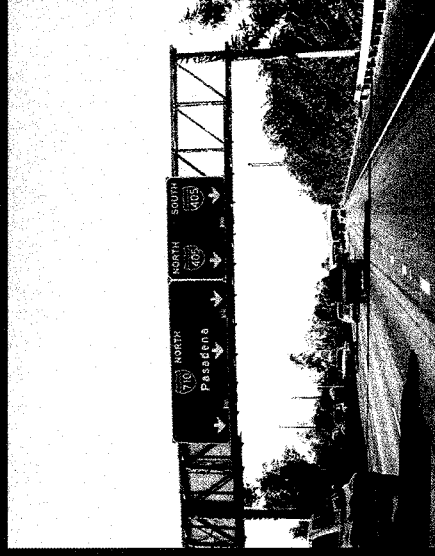
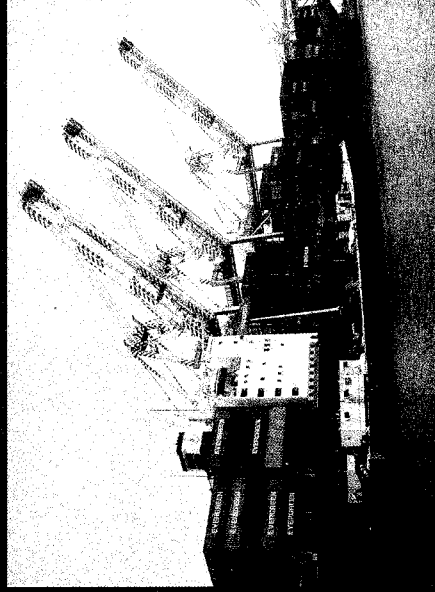
Cost-effective emission reduction measures

Subsidize
fleet
modernization
to alternative
fuels



Scrap or
retrofit dirty
old vehicles
and convert to
clean fuels

Provide
onshore
electric power
for ships at
berth
(Alternative
Marine Power)



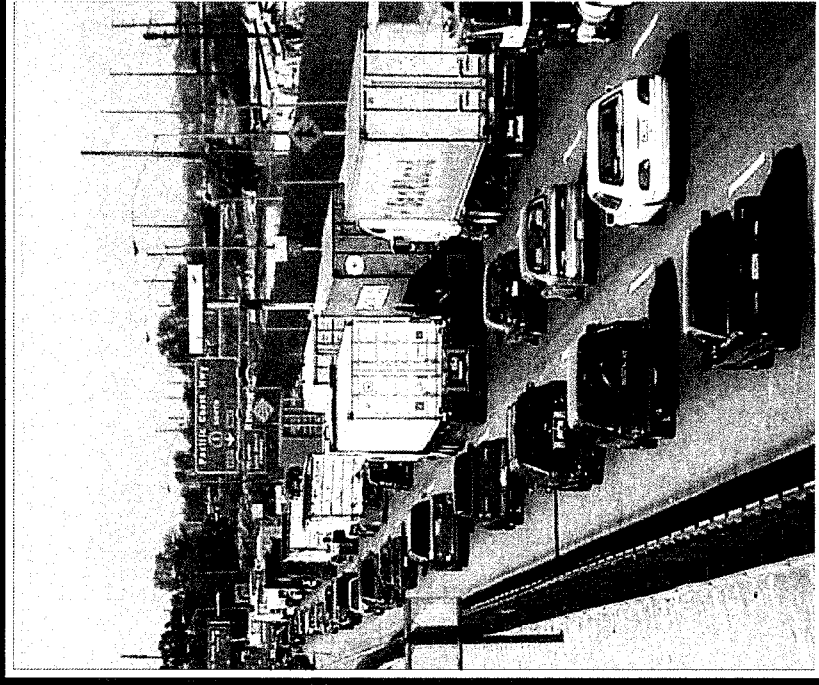
Focus
investments
to reduce
emissions
near people

The Cost

In Billions

	Lanes/Tracks Only	Other Operational Improvements	TOTAL
Dedicated Truck Lanes	\$16.5	\$3.5	\$20.0
Additional Rail Tracks	\$3.4	\$2.6	\$6.0
TOTAL with \$10B Environmental Mitigation		TOTAL	\$26.0
			\$36.0

Not Nearly Enough Federal and State Funds to Fix the Problems



- Dramatic growth in traffic is running head-long into limited transportation funding and high infrastructure improvement costs.

The Public/Private Solution

**Tax-Exempt
Bonds and
Tax Credit
Financing**
to
BUILD
the facilities

**Container
Fees & Tolls**
to
USE
the facilities
AFTER
they are built

**What are speed and
reliability worth to
users of the system?**

The Value of Time

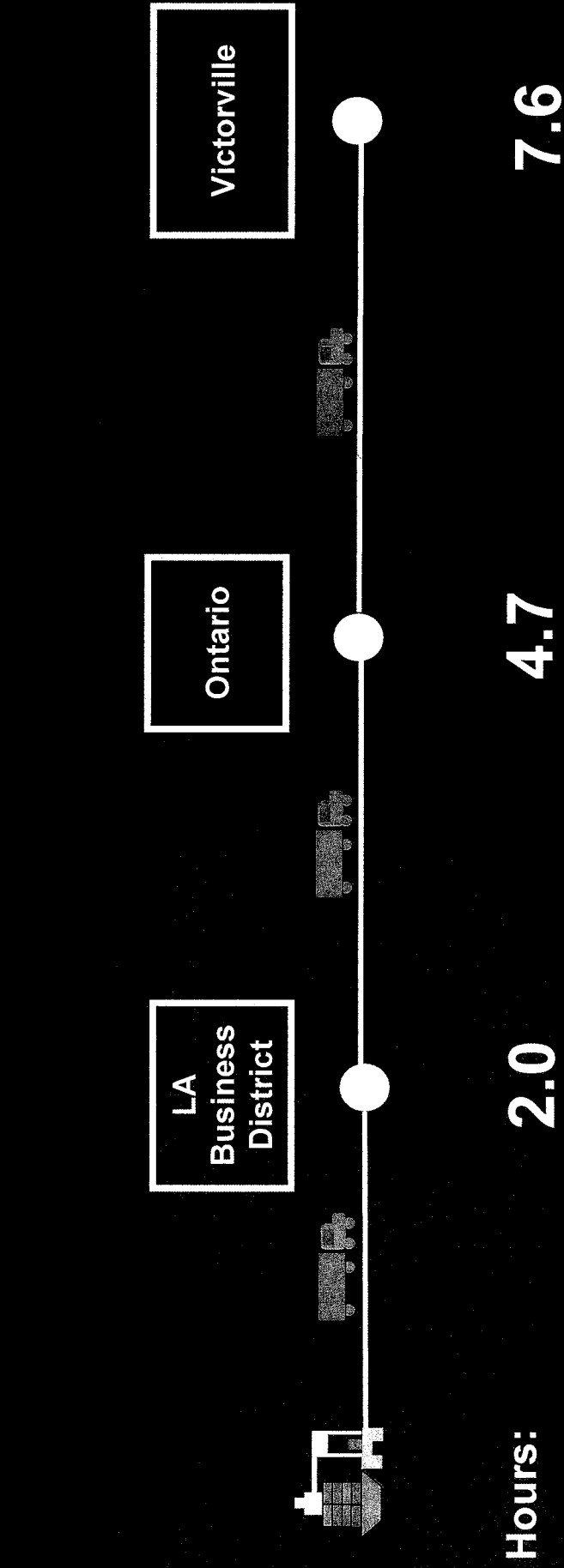
**Trucking
Industry
Value of
time**

**\$25 to \$200
per hour
depending
on cargo**

FHWA Freight Management and Operations: Measuring Travel Time in Freight-Significant Corridors,
www.ops.dot.gov/freight/time.htm

Travel Time In the Year 2030

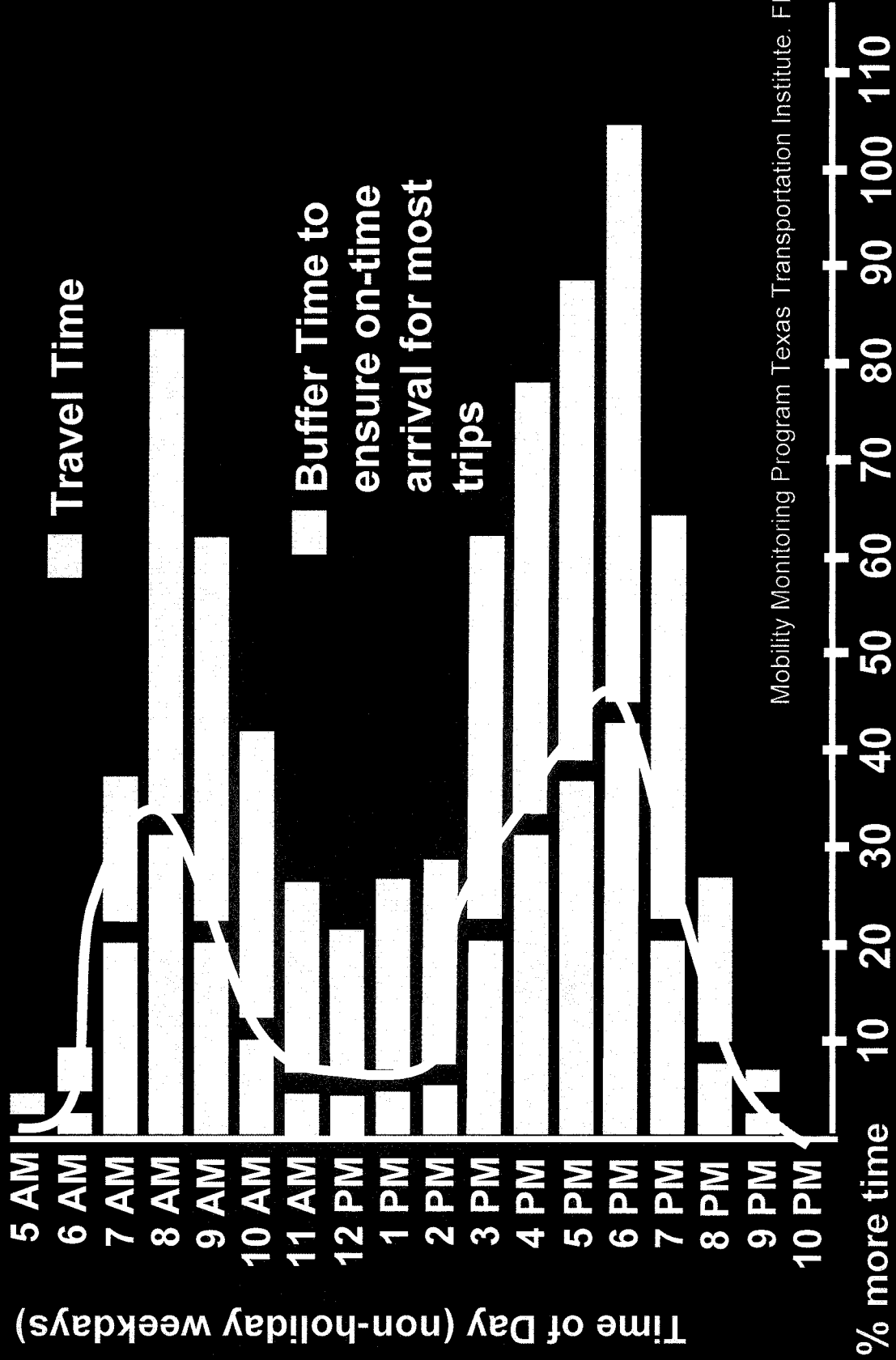
AM Peak Travel Planning Time* in Hours



*

Planning Time in 2030

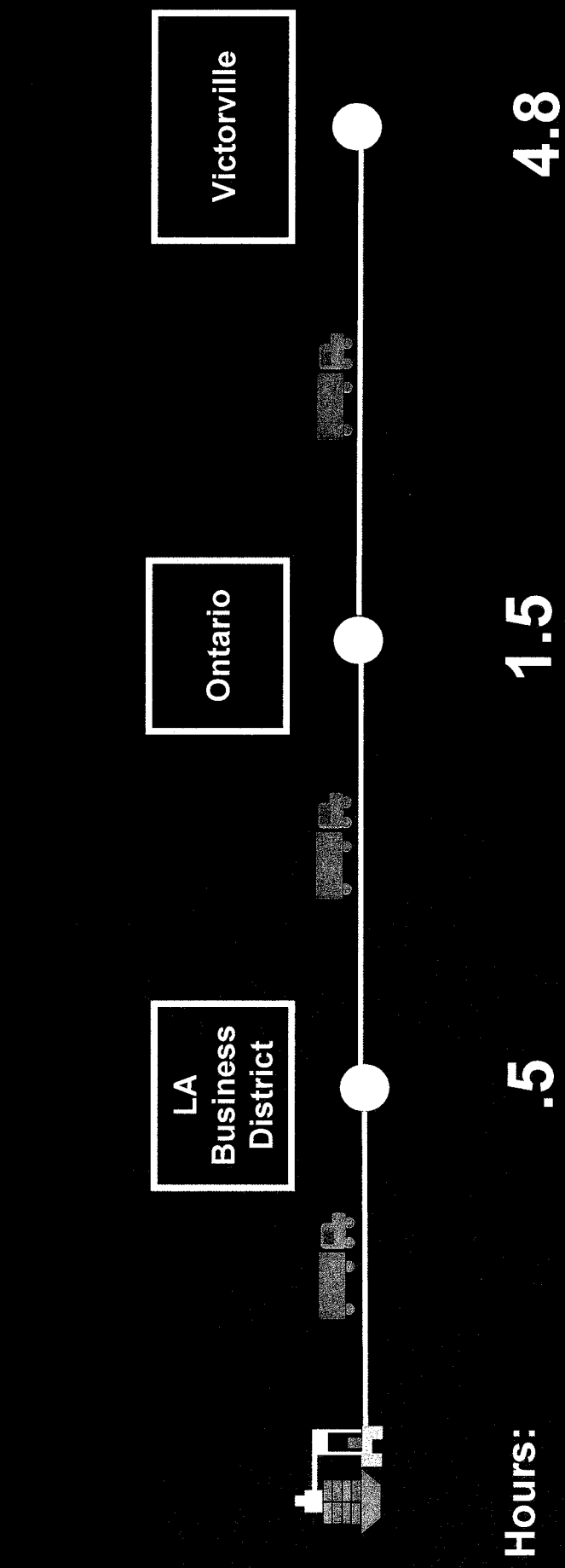
Index by Time-of-Day



Mobility Monitoring Program Texas Transportation Institute, FHA

In the Year 2030 with Truck Lanes

AM Peak Travel Planning Time in Hours



Hours:

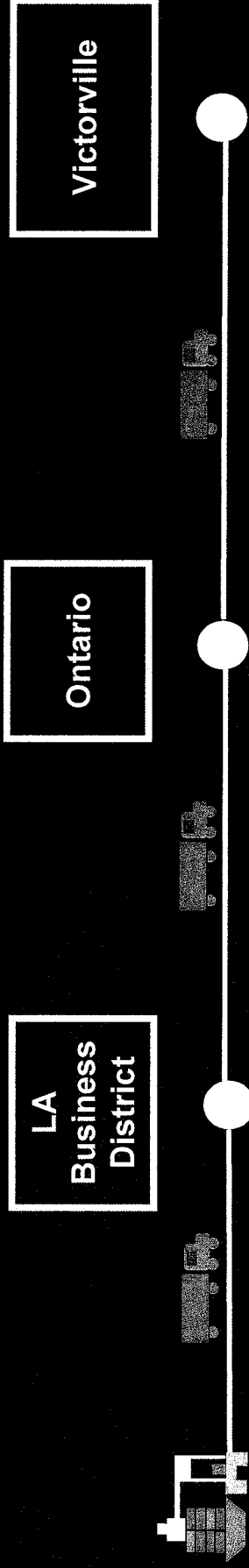
.5

1.5

4.8

Cash Value of Time Savings with Truck Lanes

AM Peak Travel @\$73 per hour



Value: **\$103** **\$232** **\$305**

Extra Trip Potential **3.4** **3.1** **2.3**

Railroads Will Receive Great Benefits from Capacity Improvements



Colton Crossing

	Hours Saved En Route	Percent Faster	Hours Saved In Delay	Percent Reduction
BNSF Railway	2.9	59%	2.9	86%
Union Pacific	3.1	65%	3.0	93%



*

Time Saved with Rail Capacity Improvements

Flow Time Per Train From Ports to Colton Crossing

	2010 Baseline	2025 With Improvements	Minutes Saved	Hours Saved	Percent Faster
BNSF Railway	300	124	176	2.9	59%
Union Pacific	285	99	186	3.1	65%

Note: Without improvements nothing will be moving in 2025

Minutes Delay Per Train

	2010 Baseline	2025 With Improvements	Minutes Saved	Hours Saved	Percent Reduction
BNSF Railway	206	30	177	2.9	86%
Union Pacific	197	14	183	3.0	93%

Leachman & Associates LLC

Quick Summary

- 1. The LA/LB ports offer shippers a competitive advantage**
- 2. Transportation infrastructure improvements would offer rail, truck, and shipping companies significant cost and time savings**

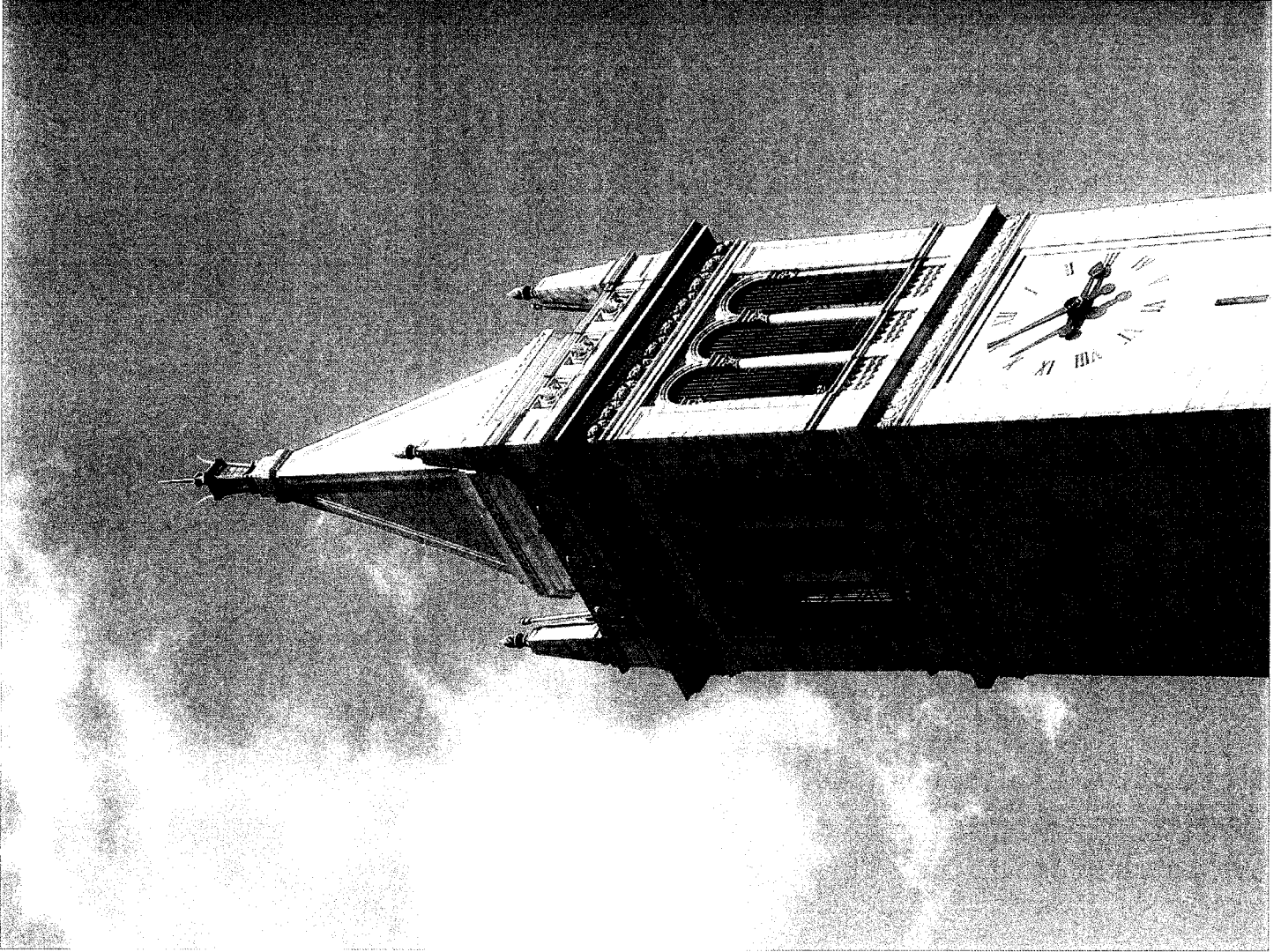
**At what point
would fees
and tolls
used to
finance
infrastructure
divert
business
elsewhere?**

LALB

Dr. Robert C. Leachman
U. C. Berkeley
Leachman & Assoc. LLC

A Study to determine port demand elasticity

September 2005

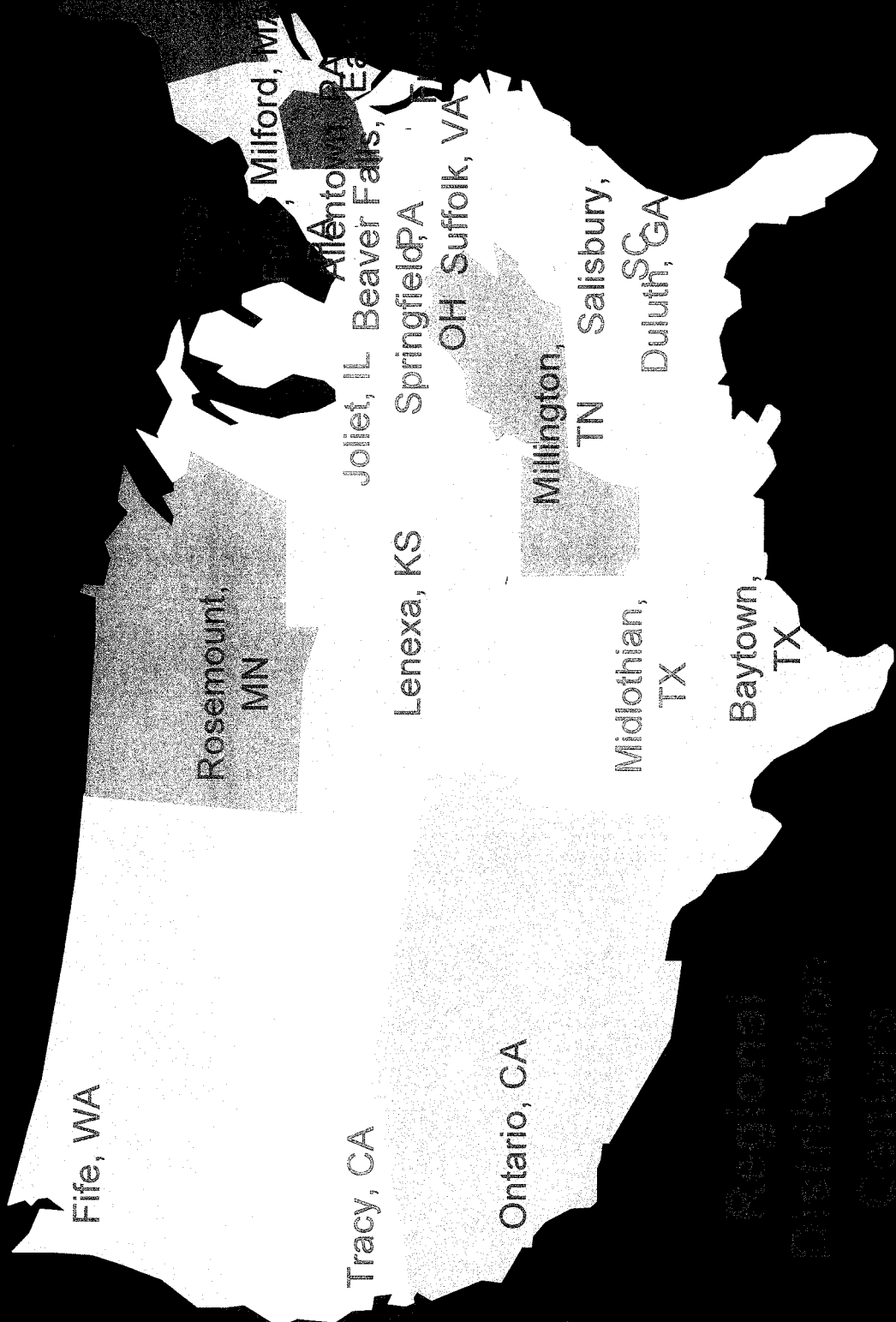


The Elasticity Study

- **Interviewed**
 - Importers
 - Steamship Lines
 - Port Terminal Operators
 - Railroads and Trucking companies
 - Logistics companies
- **Analyzed current:**
 - trade flows and steamship services
 - steamship, rail and dray rates
 - labor and management practices at ports
 - third party logistics operations

Study Conducted by Logistics and Assembly of U.S. Shippers, 1974

21 Major Destination Regions



Regional
Destinations
Centers

Served by 10 Major Container Ports

Vancouver, BC

Seattle-Tacoma

Fife, WA

Rosemount, MN

Oakland

Tracy, CA

LA - Long Beach

Ontario, CA

Milford, WI

NY/NJ

Allentown, PA

Joliet, IL

Brunswick

Springfield, PA

Norfolk

Millington, TN

Salisbury, SC

Charleston

Duluth, GA

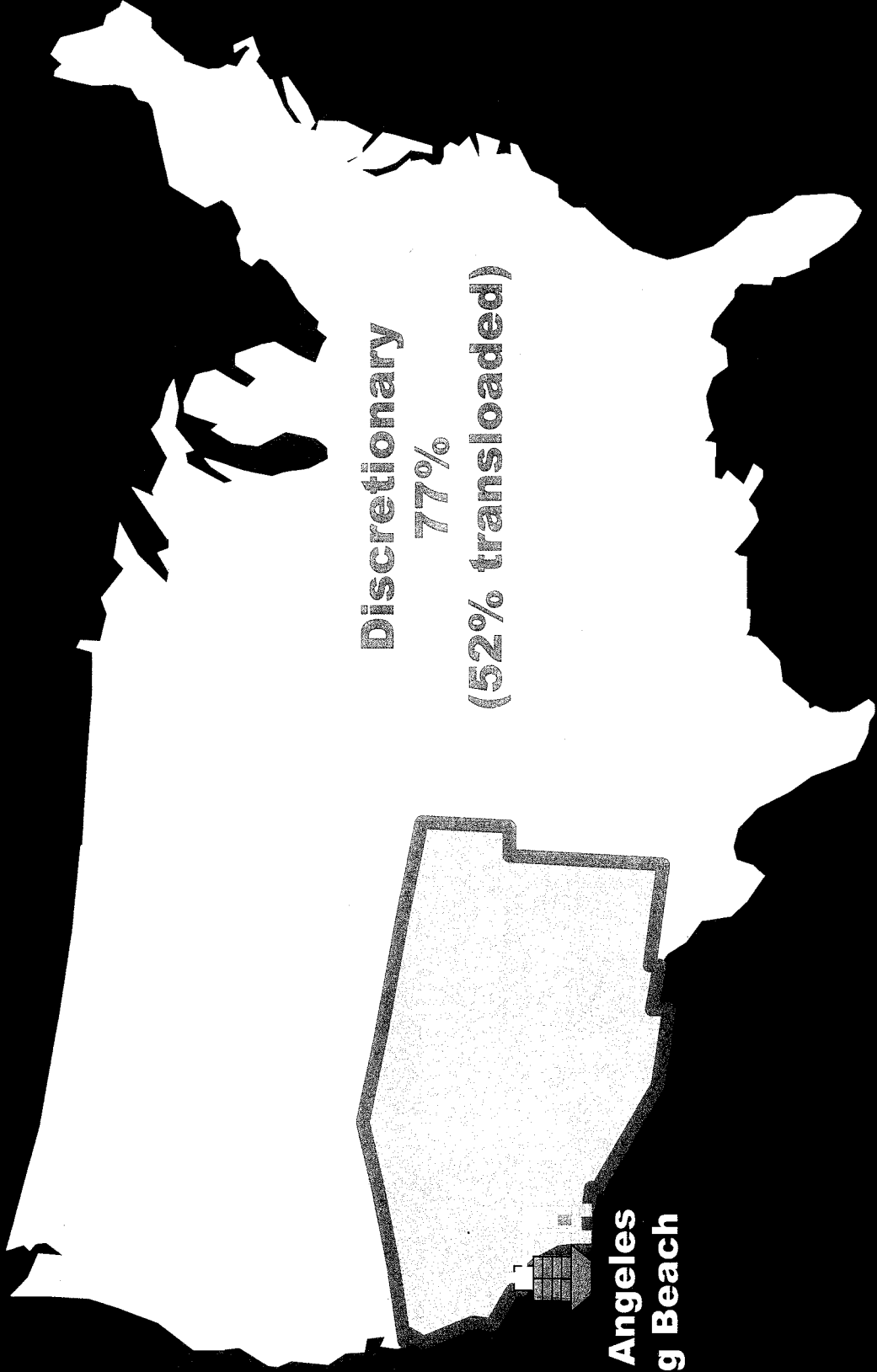
Savannah

Baytown, TX

Houston

Regional
Distribution
Centers

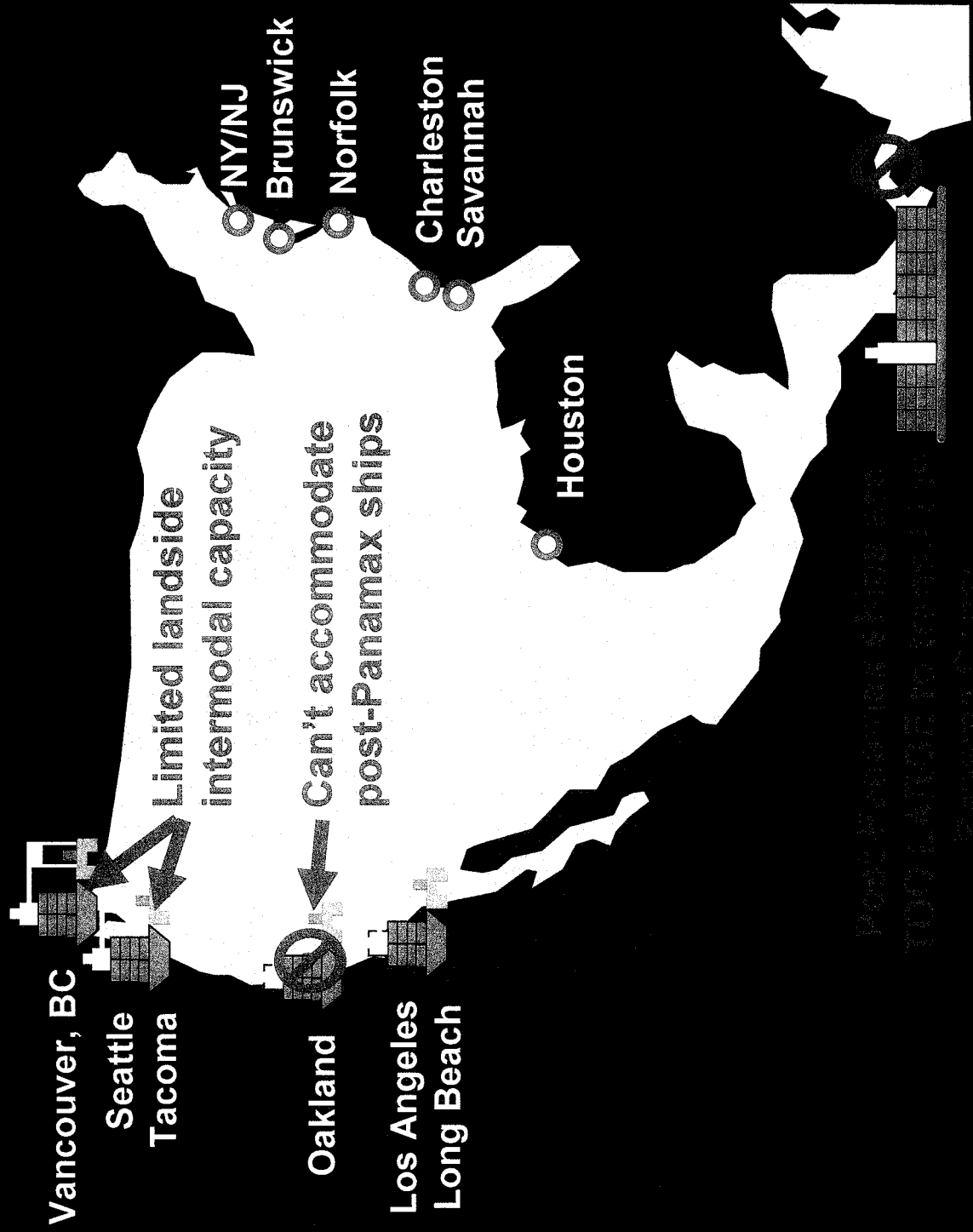
Most Cargo Coming to LA/LB Ports Passes Through to Other Markets



**Los Angeles
Long Beach**

**Discretionary
77%
(52% transloaded)**

Deep Harbors and Landside Facilities Make Them the Preferred Destination



The Study Analysis

- **Distributed volume for 102 major importers among all regions proportional to their purchasing power**
- **Allocated import volumes among ports and modes as to minimize total transportation and inventory costs for each importer**

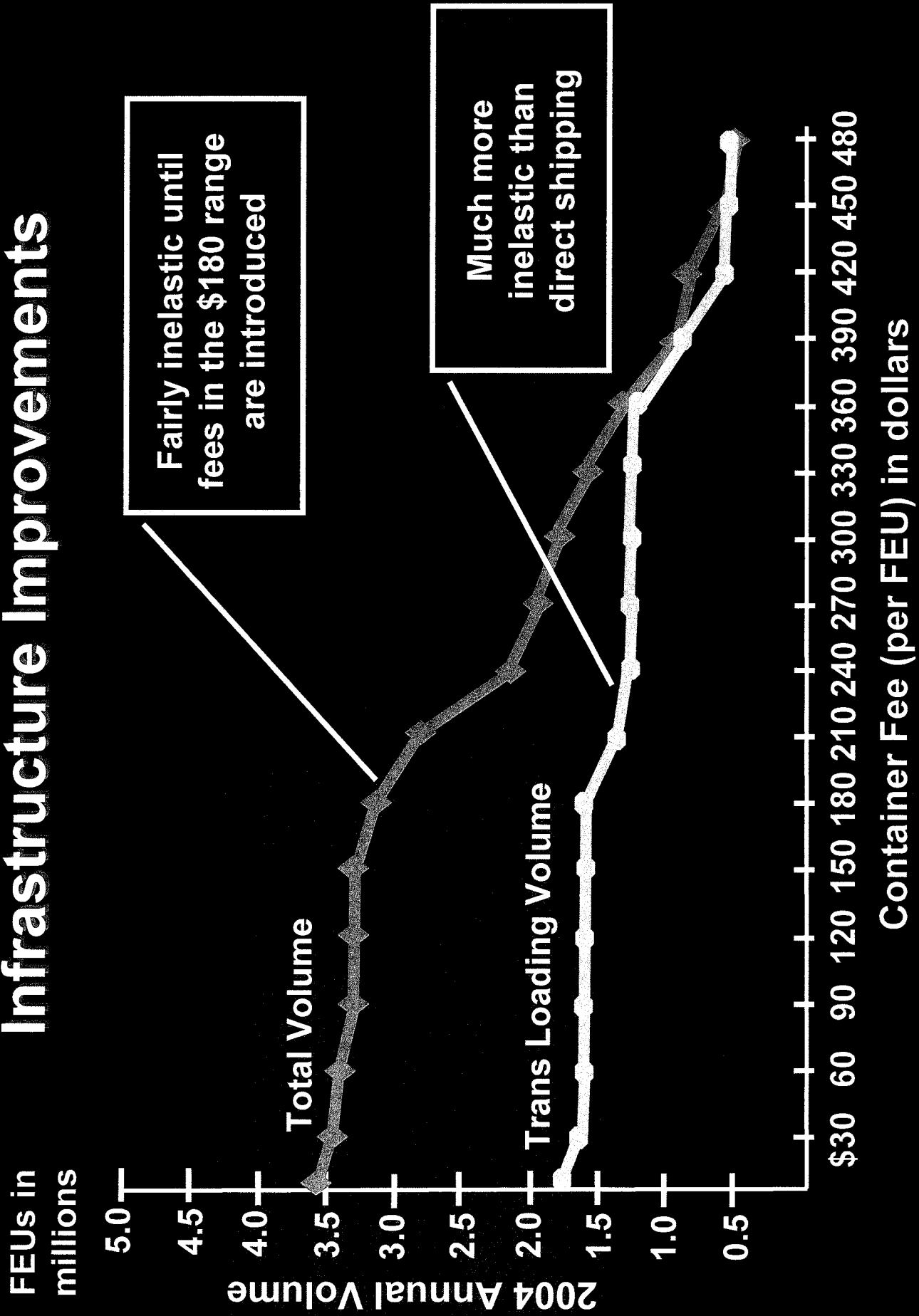
Study Conducted by Leachman and Associates, L.L.C. September 2009

If Fees on 40-foot Containers Were Applied....

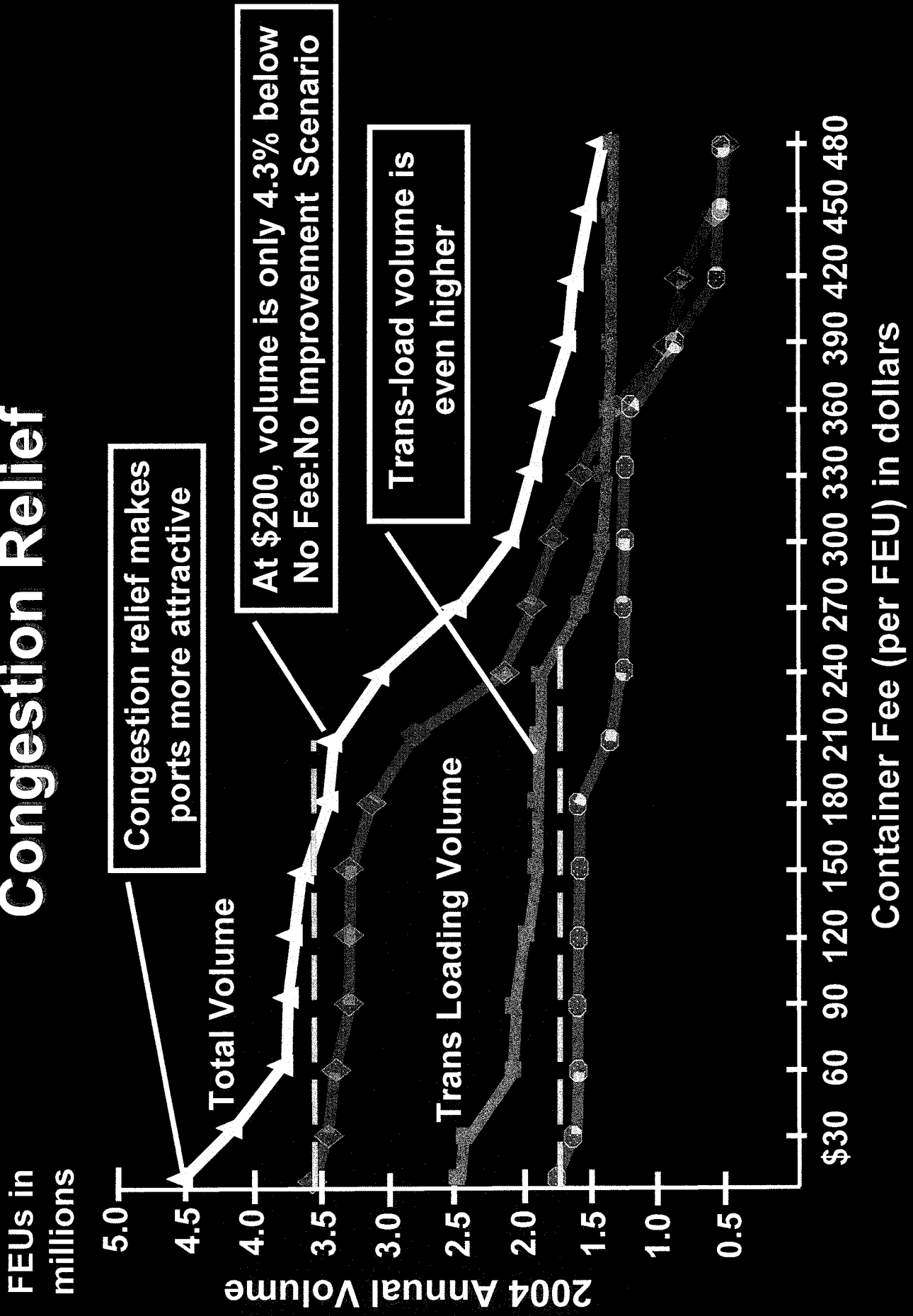
**At what price point
would using the
LA/Long Beach ports
stop making sense?**

Study Conducted by Leachman and Associates LLC - Sept. 2005

Fees Imposed with No Infrastructure Improvements



Container Fees Used to Finance Congestion Relief



Congestion relief makes ports more attractive

At \$200, volume is only 4.3% below No Fee: No Improvement Scenario

Trans-load volume is even higher

Container Fee (per FEU) in dollars

Estimated Private Sector Level of Investment

**Dedicated
Truck Lanes** \$60 - \$70 per FEU
 plus \$0.86 per mile

**Additional
Rail Tracks** \$15 - \$30 per FEU

**Total Highway
& Rail System** \$120 - \$130 per FEU
 plus \$0.86 per mile

**Total with
Environmental
Mitigation (\$10B)** \$160 - \$170 per FEU
 plus \$0.86 per mile

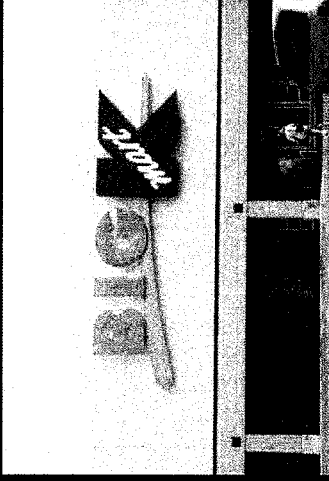
Investment
Levels Fall
Within Study
Parameters
for
Acceptable
Rate of
Return

**Who wins with this this
strategy?**

EVERYONE

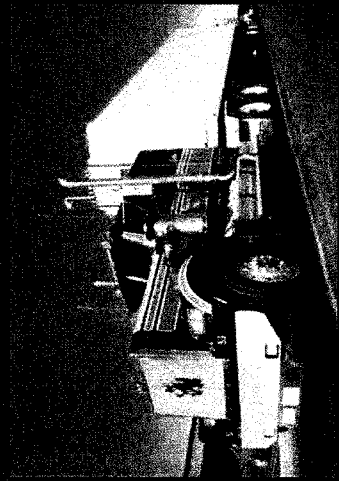
Southern California Association of Governments • Resolving Regional Challenges

Shippers



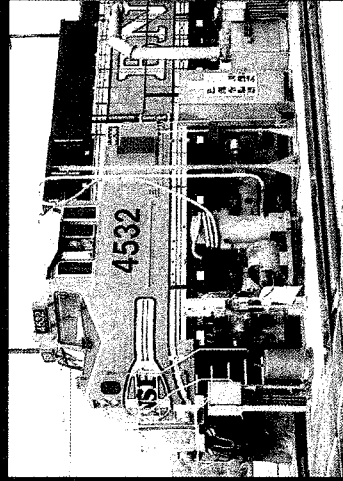
A 18-20% reduction in their total pipeline plus safety stock inventory cost

Truckers



Faster turn-around times resulting in more trips per day and more profit per hour

Railroads



60% improvement in train flow with an average 90% reduction in costly delays

Southern Californians



**Over 1 million new jobs in the
Logistics and Construction
Industries**

**25% improvement in travel
speeds and improved safety
for the driving public**

**Improved air quality due to
reduced diesel idling and
transition to clean fuel
technologies**

Americans Across the Nation

All the goods they want, when
they want them, at a price they
can afford

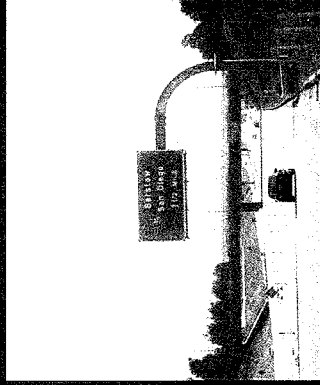


What has to be done?

- **Create an institution to oversee implementation of the Goods Movement System (may require legislation)**



- **Conduct an air quality analysis for the complete System**





- **Complete Phase II of the Elasticity Study and additional technical and financial analysis of the Goods Movement System**



- **Pass legislation that paves the way for public/private infrastructure financing and a streamlined construction process**

What Do We Need?

Private Sector Leadership

Political Leadership

Federal Involvement and Support

Moving Goods in Southern California. Strategy for a Brighter Future



OUTLINE OF COMMENTS BY NORMAN R. KING, EXECUTIVE DIRECTOR,
SAN BERNARDINO ASSOCIATED GOVERNMENTS/COUNTY TRANSPORTATION
COMMISSION

to the

THE SENATE TRANSPORTATION SUB-COMMITTEE ON
CALIFORNIA PORTS AND GOODS MOVEMENT

November 15, 2005

Oakland, California

A CRISIS IS LOOMING; THE COST OF DOING NOTHING IS TOO GREAT

One or more of several “threshold” barriers will lead to a breakdown of the Southern California goods movement chain.

Not a question of “if”; just when.

BACKGROUND;

Recent Presidential Administrations (both parties) set in motion expansion of world trade.

As a result American consumers are paying less for many goods but the Federal government has not taken responsibility for the increased cost such trade inflicts on urban areas having port facilities.

Focus should be on the “Ports of Southern California,” not simply the Ports of Los Angeles or Long Beach. The containers entering the ports have impacts on transportation systems and public health in all of the SCAG area – particularly the Inland Empire. All issues are system-wide issues.

Contrary to information provided by the Ports, well over 70% of all containerized imports leave Southern California for ultimate consumption. About 40% of total imports leave directly (mostly by rail) and about 30% of total freight is “transloaded” at a Southern California distribution facility and most of this also leaves the area. Less than 30% of total imports are consumed in Southern California – not 50% which the Ports portray.

“GOOD” FREIGHT AND “BAD” FREIGHT

Some freight is “good” freight – provides employment and economic activity for the region.

Some freight is “bad” freight - has impacts on local transportation systems and public health for which Southern California is not compensated or mitigated.

These unmitigated costs are in reality a subsidy provided by Southern Californians to the ultimate consumer of the goods and/or to the Ports.

“Why should the Inland Empire/Southern California bear the costs and inconvenience so that someone living in Iowa can pay less for a TV made in Korea?”

WHAT ARE THE IMPACTS OF “BAD” FREIGHT?

Increased air pollution – particularly diesel particulates: Diesel creates smog components most correlated to reduced lung function, cancer, and heart disease.

1. Goods movement (trucks, trains, ships etc.) are major users of diesel fuels.
2. A significant engine retrofit program is needed for trucks, trains and new enforceable standards for ships.

Increased congestion from un-separated rail tracks and arterial roads.

1. Alameda Corridor East: 125 needed grade separations. Cost = \$4.0 billion
2. Virtually none of these grade separations would be needed **if** port rail traffic did **not** exist. (i.e. “internal” rail volume would not create significant congestion.)

Reduced freeway capacity – Trucks in mixed flow lanes slow all traffic 30-40%.

1. Projections of increased truck traffic (all sources) will shut down most Southern California freeways in the future.
2. Cost of separated truck lanes on some facilities: \$17 billion (?)

An aside: Now that virtually all gasoline/diesel taxes are used only for maintenance and not capital, the vast majority of new construction money comes from county-wide sales tax for transportation. Trucks don't pay sales tax.

Increased freeway and road maintenance.

1. It is well documented that heavy trucks impose maintenance costs on highways and roads which are exponentially higher than lighter vehicles: i.e. one heavy truck (5axles, 80,000lbs.) is likely to cause maintenance impacts equal to 10,000 cars.
2. Case for axle-based fees vs. total weight fees.

Delay on commuter rail lines because of conflict with freight rail – lack of capacity.

Summary: U.S. world trade policies which save most Americans money – cheaper prices – should not also be a mechanism for Southern California residents to suffer higher costs – congestion, air pollution, lack of grade separations, etc.

WHAT ARE THE BENEFITS OF “GOOD” FREIGHT?

Logistics – “one of few non-population related sectors of the Southern California economy to provide significant job growth since 1990.” (Husing)

1. Average logistics pay exceeds most blue collar jobs:

Manufacturing:	\$43,800
Construction:	\$40,400
Logistics:	\$45,300

2. Best logistics jobs: ports and distribution centers (transloading).

NEW REVENUES ARE NEEDED

It is approaching dishonesty to talk about solving the goods movement issues without also talking about new revenues and where they will come from.

Existing revenue streams (i.e. transportation revenue streams are more like a dry wash) are diminishing and not sufficient for traditional transportation investment and maintenance.

1. No hope for direct Federal outlays – but we should try.
2. The STIP is dead – almost all is allocated for maintenance of the system.

The only option that has any hope of improving mobility is to treat the costs of transporting goods and related externalities as a commodity and do so in the most neutral and equitable manner.

Those who oppose “honest” user fees on the grounds they are “taxes” don’t understand how a free economy allocates resources; nor that by not holding the consumer accountable for true costs of a product, taxes or other costs for everyone are bound to increase.

When user fees can be imposed (meaning that it is possible to clearly identify the beneficiary of the service or use and assess those beneficiaries) but are not, the costs to society will inevitably be higher - and will often lead to higher taxes to mitigate or treat the negative externalities of over use and over consumption.

Thus, those who oppose user fees on the grounds that they are “taxes” actually encourage a policy which will increase costs and taxes to society as a whole.

A State bond issue would help – more on this later.

Some form of user fees (such as a container fee on imports) appear the most reasonable approach.

Conditions: Would have to be a package deal (a business plan) with clear cut nexus and investment program and firewalls to protect funds for intended purpose.

Must include dealing with congestion reduction **and** environmental issues.

WILL CONTAINER FEES (OTHER SIMILAR USER FEES) DIVERT GOODS FROM USING THE PORT OF SOUTHERN CALIFORNIA?

Initial study (Leachman for SCAG) finds that a container fee of up to \$200 per **if** invested in goods movement facilitation improvements would cause minimal diversion.

1. Side benefit: Container fees increase proportion of goods movement requiring transloading which is a job development plus.
2. Don't rule out other possible revenues: portion of customs fee; state and/federal tax credits; truck tolls for separated truck lanes.

HOW DOES SB1024 FIT IN?

The Global Gateway Improvement Fund should be allocated to grade separations (such as Alameda Corridor East) and for planning and development pre-construction costs of potential projects which ultimately could be funded from a user-based fee.

It should be allocated to those types of projects for which it is harder to impose user-based fees.

OUR CHALLENGES:

1. Convince the Federal government of its responsibility to assist port-impacted areas be made whole.
2. Support a user fee based revenue as part of the mix.
3. Establish a memorandum of understanding of all involved government agencies (Federal, state, regional transportation agencies) to begin to lay the ground work for expeditious development and delivery of large scale projects.

4. Bring the key players to the table (public and private) and negotiate a business deal that works and is fundable (and which includes not only investments which increase goods movement mobility but which also mitigate goods movement caused congestion and air pollution).

5. Begin to structure a public-private commission or task force which would help guide the “business deal” and resolve structural and organizational issues impeding implementation of a system-wide goods movement investment program.

**Senate Transportation Sub-Committee
On
California Ports & Goods Movement
Informational Hearing**

Testimony

By

**Gary L. Gallegos
Executive Director
San Diego Association of Governments**

November 15, 2005

Senator Torlakson, Senator Perata, and honorable members of the Senate Transportation Sub-Committee on California Ports & Goods Movement, my name is Gary Gallegos. I am the Executive Director for the San Diego Association of Governments. I want to start by thanking you for your efforts to create a productive strategic plan for Goods Movement and for this opportunity to share our San Diego experience. I have been asked to cover the following:

- Overview of statewide and regional planning and management.
- Sustained revenue investment.
- How can SB 1024 effectively contribute to strategic planning management and sustained revenues?
- What is the most strategic and sustained process to invest the \$2 Billion identified in SB-1024 as the Global Improvement Fund?

Starting with State and Regional Planning, I believe the current requirements are effective for plans at both levels. At the Regional level we develop a long-range plan called a Regional Transportation Plan (RTP) which feeds into the State Transportation Improvement Program (STIP) for the overall state program. The Regional plans identify transportation needs over a 20 to 30 year period. These plans are required by law to be financially constrained. In the case of San Diego our plan includes three revenue scenarios; a constrained scenario, an unconstrained or overall needs scenario, and the recently added reasonably expected revenue scenario.

This is where the rubber meets the road and in most cases we find the overall transportation needs are rapidly out pacing the available revenues. In the case of San Diego our 2030 constrained plan provides for \$30 Billion of investment, over this same time frame our overall needs are estimated to be \$67 Billion. The State and the Federal Governments used to be the sole funding sources for transportation. However, as the gap between needs and funding has increased many counties have passed local sales tax measures in an effort to keep pace. Unfortunately not all counties have the so-called "self help" local sales tax and in those counties the gap between needs and funding is even wider. In San Diego we were successful in extending our existing sales tax measure, which will raise our reasonably expected revenue scenario in our plan to \$42 Billion. It

should be noted that there are currently 18 counties who have similar taxes. These taxes must be approved by the voters and require a two-thirds majority.

As can be seen, while we were successful with our sales tax measure, the current needs still are not funded. We need help from the state! While we understand the overall challenges at the state level, we cannot continue to rob transportation if we are to remain competitive in the global economy. At the International Border in San Diego we see this first hand. We have seen Mexico grow to become California's largest trading partner with over \$16 Billion in exports in 2002. During this time of growth we have also seen truck traffic increase resulting in long border wait times, which is affecting our competitiveness. We recently completed a study of the impact border wait times have on the economy and found this impact tops \$4 Billion annually in San Diego alone. We have not paid enough attention to border infrastructure and are not well positioned to take advantage. Our models show the demand for cross border travel will double within the next 20-years. If we are to take advantage and thereby increase international trade we must build new secure border crossings, which will accommodate the demand.

While we are pleased to see the Legislature talking about transportation needs and the possibility of a bond measure, we are also concerned about how we pay for these necessary investments. We need a reliable and sustainable source of revenue. We cannot be successful if we our revenues yoyo up and down from one year to the next. If sources of funding like Prop 42 are to work they must be protected and made available year after year. The kind of transportation investment needed will take time and cannot be subjected to starts and stops year after year!

As for how to invest the dollars that come from SB-1024, we need to get the biggest bang for our buck. We should look to drive the investment based on need and look for the ability to leverage these dollars. I would suggest we resist the temptation to spread the dollars like peanut butter giving everyone some but not enough to complete anything. I would suggest that both qualitative and quantitative criteria be developed in advance of project selection. I would think that the California Transportation Commission in partnership with Caltrans would be best suited to develop this criteria.

Thank you for your time and this opportunity. The San Diego Association of Governments remains committed to partnering with the state to address the many issues that affect the quality of life in our Golden State that we all call home.

**SENATE TRANSPORTATION SUBCOMMITTEE ON
CALIFORNIA PORTS AND GOODS MOVEMENT**

***AIR QUALITY IMPACTS OF
PORTS AND GOODS MOVEMENT***

**Presentation by Peter Greenwald
South Coast Air Quality Management District
Nov. 15, 2005**

My name is Peter Greenwald, Senior Policy Advisor for the South Coast Air Quality Management District, the regulatory agency with responsibility to achieve clean air in Los Angeles, Orange, Riverside, and San Bernardino Counties. I wish to make several major points today.

- First, air quality in the South Coast Air Basin is still the worst in the nation, with serious health impacts.
- Second, sources in goods movement are key contributors to our air pollution problem.
- Third, stationary sources like factories and power plants have been controlled to well over 90%. The majority of emissions are from mobile sources. This means that we cannot achieve clean air without significant *reductions* in emissions from sources in goods movement.
- Fourth, many sources in goods movement are relatively uncontrolled, and absent application of new control strategies, more cargo means more pollution.
- Finally, air quality must be a primary consideration in any goods movement plan. We largely know what needs to be done, and it is worth doing.

Some background on air quality: This year we had 84 days during which the health-based federal standard for ozone was exceeded, and this was a relatively clean year. [Slide 2] In addition to exceedances of the ozone standard, particulates—such as those found in diesel exhaust—are also a key concern in South Coast. A recent USC School of Medicine epidemiological study found that children growing up in areas of the South Coast Air Basin with relatively high particulate pollution have higher rates of reduced lung function. Of great concern, this reduced lung function may be permanent, because it was found in children at ages when their lungs largely stopped developing. Reduced lung function is a risk factor for numerous serious ailments and mortality.

The Air Resources Board estimates that particulate pollution alone is responsible for 1,700 premature deaths per year in the South Coast Air Basin.

[Slides 3-4] Diesel exhaust is also the primary contributor to cancer risk from air pollution. Cancer risk levels were estimated by the SCAQMD to average 1,400 in a million in the South Coast Air Basin. The highest cancer risks exist near the ports and along transportation corridors. In addition, last month, the California Air Resources

Board released a draft health risk assessment for areas near the Ports of Long Beach and Los Angeles. The draft risk assessment concluded that tens of thousands of persons are exposed to cancer risks of up to, and in some cases over, 500 in a million — just from pollution sources within the boundaries of the ports. Over a million people are exposed to risks exceeding 100 in a million. Cancer risks of over 500 in a million were also found by the Air Resources Board adjacent to a Union Pacific railyard in Roseville. Compare all of these numbers to the far lower risk levels allowed by SCAQMD rules for new stationary sources — which are limited to just ten in a million.

[Slide 5] Let me turn now to the sources of these impacts. Here is where much of the pollution impact from goods movement begins: a container vessel carrying goods from Asia. This vessel is powered by an enormous diesel engine—some three stories tall. That engine is not equipped with emission control devices and it runs on some of the dirtiest fuel imaginable—containing an average 27,000 parts per million sulfur. Compare that to the fifteen parts per million sulfur that will soon be required for on and off-road sources in the country. Like almost all container vessels, this one is foreign flagged—relevant because the United States has adopted no emission standards for such vessels, even if they are in our ports.

Collectively, such oceangoing marine vessels emit more nitrogen oxides every day than all the power plants, refineries and 330 other largest stationary sources in the South Coast Air Basin. [Slide 6] Remarkably in an area with such a severe air pollution problem that we regulate sources as small as barbecue lighter fluid and underarm deodorants, there are no federal, state or local emissions standards applicable to these engines. International standards are so weak as to have little or no effect.

[Slide 7] The thousands of containers on this vessel are among the millions that annually are funneled into a regional goods movement system that is powered almost entirely by diesel engines. [Slide 8] Cargo handling equipment — mostly powered by diesel engines, will place over 80 percent of such containers on diesel trucks for a trip out of the port to regional destinations or to intermodal railyards where the containers will be placed — again, by diesel equipment — onto trains pulled by diesel locomotives.

[Slide 9] Collectively, all of these sources emit fully a quarter of diesel particulate emissions in the South Coast Air Basin—a percentage that is expected to steadily grow if controls are not applied.

Unless substantial emission controls are applied, these impacts will become even worse as cargo throughput increases. Emissions from marine vessels are expected to actually increase in coming years. This is in stark contrast to virtually every other source category in our emissions inventory — which have emissions that are projected to decline. [Slide 10] Here is the reason why: emission standards for new marine vessels, as well as for new locomotives, are far less stringent than the level of control required of new units in other source categories.

The increased throughput will have particular ramifications near ports, railyards and highways. [Slide 11] Here's an example. At the upper left is a view from the playground of the Hudson Elementary School — a few miles north of the ports — looking across the Terminal Island Freeway to the location of a proposed new BNSF intermodal railyard. The ports propose to transport containers to this new railyard where they will be placed on trains. The location is near several schools, as well as a large residential area. The area is already impacted by emissions from the ports, refineries and other sources.

[Slide 12] What can be done about pollution from goods movement? In general, we know the answers. We need to broadly implement strategies such as —

- cleaner fuels, scrubbers, aftertreatment, and internal engine modifications for marine vessel main engines,
- clean fuels, shore power or add-on controls for vessel auxiliary engines,
- alternative fueled switcher locomotives and cargo handling equipment at railyards and docks,
- [Slide 13] lower emission line-haul locomotives, and
- truck modernization programs.

Measures like these will be costly, but the cost of the air quality impacts if we do not act will be many times the cost of control.

[Slide 14] Given the legal and other hurdles to regulating sources in international and interstate commerce, federal and international regulatory bodies should play a role. However, history has shown that we cannot wait for federal and international governments to tackle air quality problems to the extent needed by this region. State and local authorities, and particularly the ports—which have considerable authority as landlords—must play key and aggressive roles.

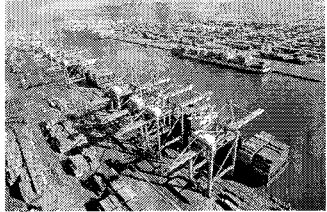
Finally, in our experience, air quality measures will not have credibility with, and support from, the public, unless they are developed through an open and inclusive process. The same principles should apply to development of strategies to address all goods movement issues. The public is clearly energized regarding these issues. For example, in the face of tremendous public concern about the proposed new BNSF railyard I described earlier, the Port of Los Angeles is now retooling its proposal to include such measures as alternative fuel trucks to transport containers to the railyard.

The SCAQMD stands ready to provide assistance in addressing these important issues.

Thank you.

Senate Transportation Subcommittee on
California Ports and Goods Movement
Nov. 15, 2005

**AIR QUALITY IMPACTS OF
PORTS AND GOODS MOVEMENT**



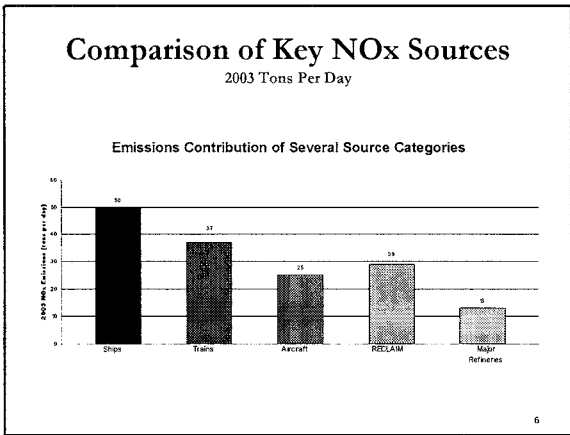
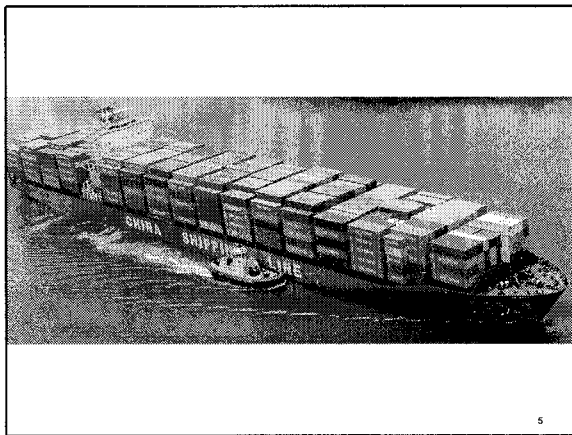
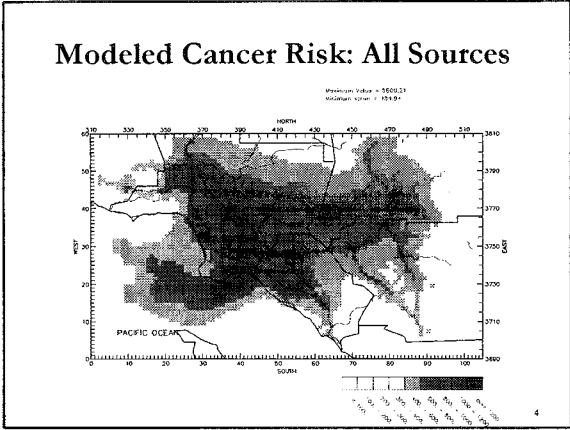
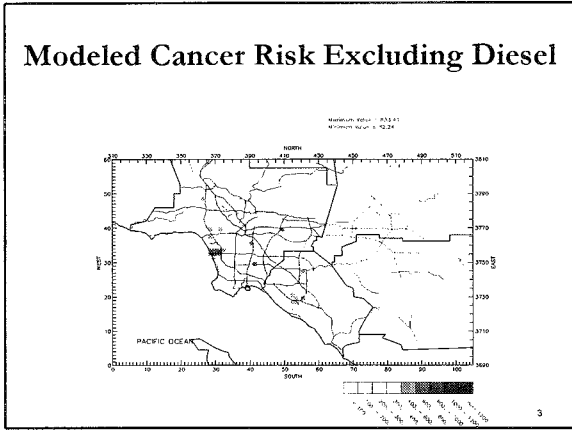
Peter Greenwald
Senior Policy Advisor
South Coast Air Quality Management District

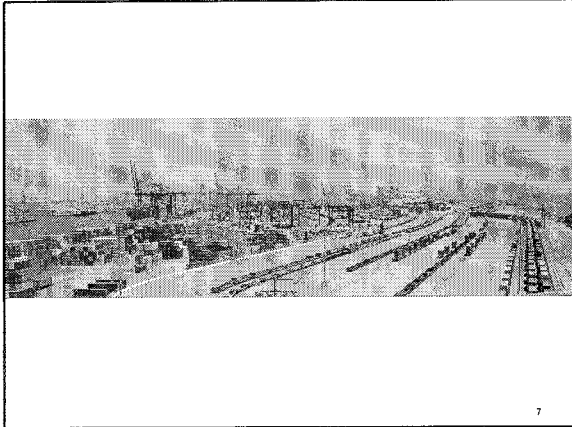
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USC Children's Health Study Findings
New England Journal of Medicine, Sept 2004

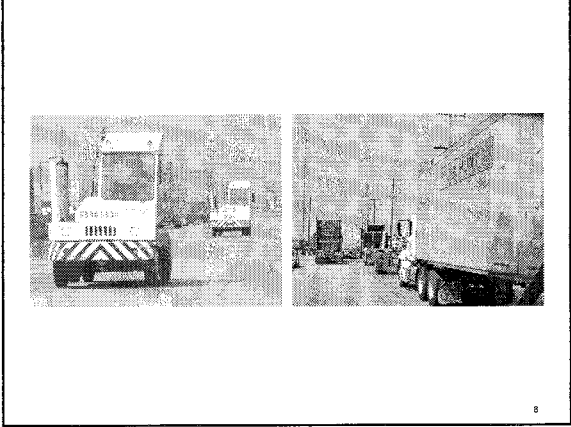
- Lower lung-function growth rate associated with PM₁₀, PM_{2.5}, NO₂ and acid vapor
- "By age 18, lungs of many children growing up in smoggy areas are underdeveloped and will likely never recover"
- Pollutants of harm "derive from vehicle-related emissions and combustion of fossil fuels"
- *"When we began the study 10 years ago, we had no idea we would find effects on the lung this serious."*
— John Peters, M.D., study's senior author

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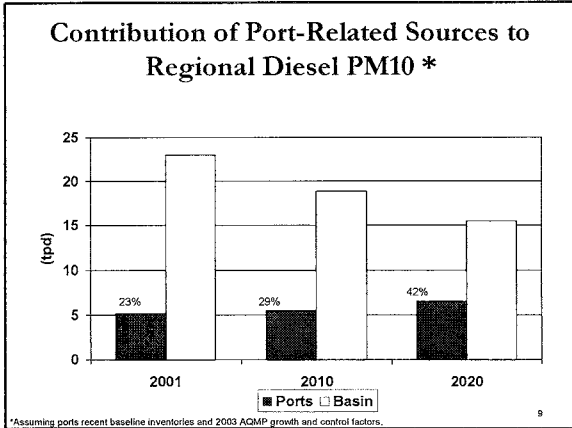




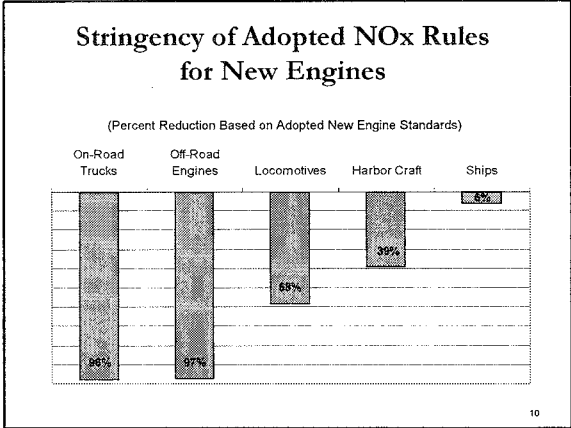
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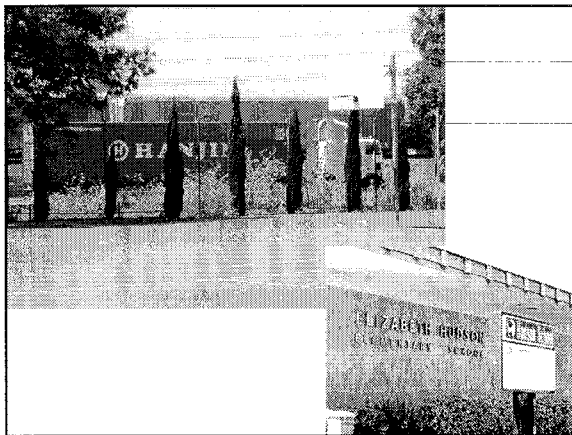
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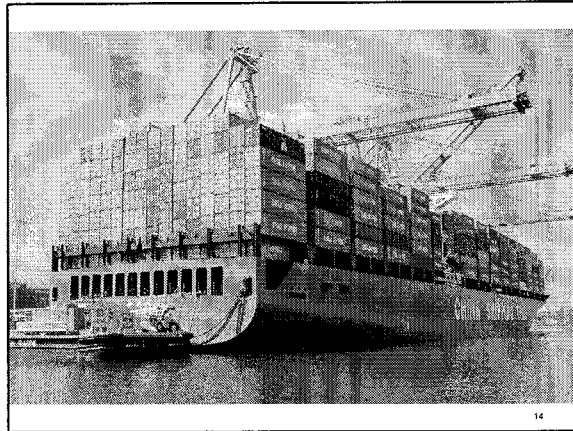
- ### What Needs to be Done — Example Control Strategies
- Marine Vessels
 - Cleaner fuels
 - Internal engine modifications
 - Control technologies, e.g. scrubbers, selective catalytic reduction
 - Shore power
 - Cargo Handling Equipment
 - Alternative fuels, electrification, aftertreatment

12

What Needs to be Done — Example Control Strategies

- Locomotives
 - Alternative fuels, hybrids, aftertreatment
- Trucks
 - Alternative fuels
 - Modernization programs

13



14

Written Testimony of:

**Gill V. Hicks, Chairman
California Marine and Intermodal Transportation System Advisory Council
(CALMITSAC)
President, Gill V. Hicks and Associates, Inc.**

Before:

Senate Transportation Sub-Committee on California Ports and Goods Movement

November 15, 2005

Good morning, Senator Lowenthal and members of the Committee. Thank you for your continued leadership on critical issues affecting the ports and the entire Marine Transportation System. CALMITSAC is committed to working cooperatively with you and other representatives of the public and private sectors to resolve the pressing problems facing our State. As shown in the attachment to my testimony, CALMITSAC has broad representation from government, industry, and academia. Also attached are a fact sheet on CALMITSAC and our roster of members.

You have asked me to provide an overview of statewide and regional goods movement strategic planning and management. You have also asked me to comment on how SB 1024 can contribute to sustained revenues and how to invest the \$2 billion identified for the Global Gateway Improvement Fund.

Goods Movement Planning

There are a number of parallel goods movement planning efforts in the state. These activities illustrate a growing recognition of the importance of goods movement in terms of economic benefits as well as concerns over environmental and public health impacts.

State BT&H: State Goods Movement Action Plan (GMAP) – On September 2, 2005 the State of California Business, Transportation, & Housing (BTH) Agency and the California Environmental Protection Agency (Cal/EPA) released the final version of *State Goods Movement Action Plan – Phase I*. This document includes a list of goods movement projects recommended by the regions and by Caltrans, as well as an overview of the air quality impacts of goods movement in the state. BTH and Cal/EPA are in the midst of Phase II of the GMAP, which will attempt to establish priorities for project implementation as well as a recommended funding strategy. Several committees have been established to discuss infrastructure, environmental and public health impact mitigation, innovative finance and alternative funding, homeland security and public safety, and community impact mitigation and workforce development. The state's goal is to publish a Phase II document by the end of the year.

SCAG: Southern California Regional Strategy for Goods Movement – A Plan of Action - In February 2005, SCAG published *Southern California Regional Strategy for Goods Movement – A Plan of Action*. This document provided input to the BTH and Cal/EPA Phase I document described above. SCAG also held a number of Stakeholders Roundtables to discuss the costs and benefits of high-priority projects, such as the I-710 truck lanes, and the feasibility of private sector financing.

Multi-County Goods Movement Action Plan - The five County Transportation Commissions (CTCs), SCAG, and the four Caltrans districts in the SCAG region have begun work on a *Multi-County Goods Movement Action Plan*. This 18-month effort, administratively led by Los Angeles County Metropolitan Transportation Authority (Metro), will build upon the framework outlined in the *Southern California Regional Strategy for Goods Movement* to develop an improved regional goods movement system in partnership with the private sector. The purpose of this effort is to identify logistics trends, necessary infrastructure and operational improvements, environmental mitigations, public/private partnerships, and institutional arrangements. Completion is anticipated in late 2006/early 2007.

LAEDC West Coast National Freight Gateway Program - The Los Angeles Economic Development Corporation (LAEDC), in conjunction with the five counties, and the railroads, has recently completed a *West Coast National Freight Gateway Program* report that identifies projects, issues, funding strategies, and economic benefits of a regional goods movement program. LAEDC has recommended a three-pronged funding strategy involving a \$100 per TEU (\$200 per FEU)¹ container fee paid by retailers, a 10-percent Customs carve-out, and tax credit bonds. Part of the fee would be used to pay the principal component of the tax-credit bonds. The state would pay the interest component of the debt. In LAEDC's plan each of these funding sources would provide one-third of the total \$10.5 billion cost of the program.

SCAG Port and Modal Elasticity Study – SCAG contracted with Leachman Associates, LLC to evaluate the potential impact of container fees on cargo diversion. SCAG assumed the fee would be applied to loaded import containers only. SCAG suggests that the fee be developed through negotiations with industry rather than through legislation. SCAG recommends that the funds be used to develop a system of exclusive truck lanes on I-710, SR-60, and I-15 as well as for mainline railroad improvements and grade separations east of downtown Los Angeles.

The key results and conclusions of the SCAG study are as follows:

- POLB/POLA container throughput is more elastic with respect to congestion than to modest container fees.
- Assuming the fees assessed are used for transportation improvements POLB/POLA throughput is relatively inelastic up to a fee of \$200 per FEU.

¹ TEU = twenty-foot equivalent unit; FEU = forty-foot equivalent unit. One 40-foot container equals one FEU and two TEUs.

- Assuming no transportation improvements are implemented, a fee of \$60/import container (FEU) would cause a 6.3% diversion from the POLB/POLA.
- Assuming \$26 billion is invested in transportation improvements, a fee of \$200/FEU would cause a 4% diversion, but an increase of 12.5% for transloaded containers (i.e., container contents transferred to domestic containers and truck trailers for final delivery outside the five-county SCAG region).

SCAG is currently conducting outreach for this study.

Metropolitan Transportation Commission – Regional Goods Movement Study for the San Francisco Bay Area – In December 2004 the Metropolitan Transportation Commission (MTC) published a major goods movement study for the Bay Area. The purpose of the study was to generate information that would 1) help MTC develop priorities for allocating transportation funds for goods movement activities; 2) provide local decision-makers with economic impact information to consider when making infrastructure and land-use decisions affecting this industry; and 3) prepare a common freight platform for MTC and its partners for federal advocacy and regional planning efforts. This study was done in cooperation with the Port of Oakland, the Economic Development Alliance for Business (EDAB), and the Bay Area Council (BAC).

Waterfront Coalition - National Marine Container Transportation System: A Call to Action – In May 2005, the Waterfront Coalition, a private industry group of shippers and transportation providers, issued a policy paper that advocates improving the efficiency of the nation's ports and better cargo forecasting, developing other West Coast ports as alternatives to the San Pedro Bay ports, promoting more Asian trade through East Coast and Gulf ports, and advocating a national goods movement policy that would bring more funding to freight projects. The Waterfront Coalition will be holding a workshop at the Westin Long Beach Hotel, on November 30-December 1, 2005 to discuss this and other key issues.

CALMITSAC – AB 2043 (Lowenthal) requires the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC) to make recommendations on methods to better manage statewide cargo growth and related security and environmental impacts. An interim report will be issued by January 1, 2006 and a final report by August 1, 2006.

Funding

All of these planning efforts recognize the severe shortfall in funding for goods movement infrastructure projects and impact mitigation programs. It is convenient to place funding options into three basic categories:

- 1) Existing grants and loan programs; i.e., STIP funds, federal transportation reauthorization, port security grants, etc.

- 2) New sources of revenue at the state or federal level, such as new general obligation bonds, a Customs “carve out”, tax credit bonds, imposed new fees or taxes;
- 3) Project-specific revenue bonds negotiated through Public Private Partnerships

We need to continue to protect Proposition 42 funds. We also need to vigorously lobby for more federal support including the development of a national freight policy, but we have to recognize that the federal government will not be able to provide all the funds required to keep the goods flowing efficiently. SAFETEA-LU, while providing support for several key projects, granted far less funding for goods movement than requested. For example, the Alameda Corridor-East asked for \$900 million but received only \$167 million.² Our experience with SAFETEA-LU should be ample evidence of the federal government’s inability to solve all of our funding problems.

At the state level several new sources are being considered. SB 1024 (Perata, Torlakson) would provide critical funding to goods movement projects and to environmental mitigation. As amended on September 8, 2005, SB 1024 would provide \$10,275,000,000 in general obligation bonds for transportation projects, emissions reduction programs and environmental enhancements, levee and flood control projects, transit oriented development, housing, regional growth and infill developments.

Another proposal is LAEDC’s West Coast National Freight Gateway Program, which proposes a three-pronged funding strategy: a \$100 per TEU container fee, tax-credit bonds, and a Customs carve out. Another approach was taken by Senator Lowenthal with SB 760, which would impose a \$30 per TEU “regulatory” fee at Los Angeles and Long Beach ports. At the federal level, there have been several unsuccessful legislative efforts to carve out Customs duties for port security purposes; e.g., Harman (H.R. 1731), Collins (S.855), and Millender-McDonald (H.R. 478).

The shipping industry strongly opposes legislatively imposed fees and Customs carve outs, including proposals for using an “increment of growth” in Customs duties. Because of NAFTA, CAFTA-DR, and other ongoing efforts to reduce barriers to trade, there is no reliable increment of growth in Customs duties. As shown in the table below, over the last five years growth in Customs duties has been relatively flat. In FY 2001 and FY 2002, Customs duties actually declined.

Customs Duties, FY 2000– FY 2004
(Dollars in thousands)

Year	Duties
FY 2000	\$20,555,901
FY 2001	\$19,813,849
FY 2002	\$19,787,943

² This figure includes four projects that specifically mention Alameda Corridor-East (#9 in Section 1301, #21 in Section 1934, #1436 and #2178 in Section 1701.) Alameda Corridor-East received a total of \$210.52 million in SAFETEA-LU including another 15 separate grade separation projects in the Inland Empire.

FY 2003	\$20,601,425
FY 2004	\$21,279,612

U.S. Customs and Border Protection, Performance and Annual Report, Fiscal Year 2004, p. 101.

http://www.customs.gov/linkhandler/cgov/toolbox/publications/admin/cbp_annual.ctt/cbp_annual.pdf

This does not mean that industry arbitrarily opposes all user fees. There should be a clear distinction between an imposed fee and a negotiated fee for projects that clearly benefit the industry. Shippers and terminals negotiated the PierPass program, which involves a \$40 per TEU fee for peak-period gate moves. The Alameda Corridor fee (initially set at \$15 per loaded TEU) was a negotiated fee approved by the railroads.

It has been said that shippers will “pay for value” measured in terms of reduced delay, or increased velocity or reliability. The only way to foster true public-private partnerships is to first demonstrate real value to the various stakeholders, and then negotiate shared funding responsibility. This is what we did with the Alameda Corridor in the 1990’s. SCAG continues to refine a matrix of values that can be used to evaluate benefits of key high-priority projects to both the public and private sectors.

We should develop specific plans of finance around a limited set of high-priority projects; i.e., future success stories, that all stakeholders agree are absolutely essential, as opposed to mandating user fees through legislation. The industry has repeatedly said, “There is no trust in trust funds”. Some funds have been raided; some have been over-collected and under-spent; e.g. the Harbor Maintenance Tax. Project-specific revenue streams for focused, well-managed projects can be protected for the benefit of bondholders and users alike. ***I therefore request that the Legislature refrain from introducing any new container fee bills in 2006 to allow the various stakeholders to negotiate key Public Private Partnerships for specific high-priority programs.***

Projects that have well-defined plans of finance and negotiated public-private partnerships stand a better chance of receiving federal dollars in the next reauthorization. For several years, the U.S. DOT has been promoting innovative finance and Public-Private Partnerships (PPPs). It is important that we start listening to the DOT instead of continuing to believe that the federal government will pay for the lion’s share of project costs.

Plans of finance should include a mix of funding sources (federal, state, local and private). Assuming that projects have multiple beneficiaries, no one sector should bear the whole financial burden. Failure to develop feasible plans of finance simply means the projects will not get built, leaving us with more congested traffic, additional delays to the movement of cargo, cargo diversion, economic dislocation, and greater environmental degradation.

Keys to success in public-private partnerships include:

- Consensus on what high-priority projects to build
- Clear delineation of costs and benefits
- A balance of economic and environmental benefits
- Consensus on funding shares, point of collection of any fees and method of payment
- Legal authority
- Stable revenue stream
- Funding firewalls
- Appropriate allocation of risk
- Cost and schedule control
- Experienced project management
- Product orientation not process orientation
- Focused agency mission
- Clear decision making authority

Specific Comments on SB 1024

While SB 1024 would provide a critical new source of funding for key projects, we cannot rely completely on this one potential funding source. The I-710 project alone is expected to cost over \$5 billion. Thus, in addition to SB 1024, we will need to focus more and more on negotiated Public Private Partnerships.

The current version of the bill includes \$1 billion for grade separations on the proposed high-speed rail corridor. A greater need exists for grade separations on freight rail corridors, including the Colton Crossing and the Alameda Corridor-East. I would propose that the \$1 billion be redirected to existing proposals for railroad grade separations.

Allocation of the \$2 billion Global Gateways Fund should reflect the priorities established by the regions. As a starting point, the State should consider the following key projects, which are included in the draft listing of “Key Improvement Projects” in the BTH and Cal/EPA Goods Movement Action Plan:

San Pedro Bay to Border Corridor

Project	Cost in millions
I-710 Corridor improvements including dedicated truck lanes	\$5,500
Gerald Desmond Bridge replacement	\$765
Alameda Corridor SR-47 Expressway (includes Schuyler Heim Bridge replacement)	\$420
Alameda Corridor-East grade separations, grade crossing improvements (BNSF and UPRR lines)	\$2,500
Rail capacity improvements, including mitigation measures (e.g., completion of BNSF third main track, Fullerton to L.A. for \$180 million)	\$3,400

BNSF, POLA/POLB near dock facility	\$176
Colton Crossing rail grade separation (BNSF and UPRR lines)	\$150
Santa Paula Branch Line gap closure *	\$250
Total	\$13,161

* Identified as an “additional project for consideration” in the draft BTH and Cal/EPA list of “Key Improvement Projects”.

Bay Area Corridor

Project	Cost in millions
I-80/I-680/SR-12 interchange improvements	\$706
I-580 eastbound truck climbing lane	\$65
Joint Intermodal Terminal and UPRR intermodal facility access improvements	\$12
Reconstruction of 7th Street/UPRR grade separation	\$100 *
Outer Harbor Intermodal Terminal **	\$88
Total	\$971

* Changed from \$69 million at request of Port of Oakland.

** Project added at request of Port of Oakland.

San Diego Corridor

Project	Cost in millions
SR-905 six-lane freeway (from U.S.-Mexico border/Otay Mesa Port of Entry to I-805)	\$424
Total	\$424

Central Valley Corridor

Project	Cost in millions
I-580 westbound truck climbing lane	\$70
SR-99, widen from 4 to 6 lanes, Goshen to Kingsburg	\$134
SR-99, widen from 4 to 6 lanes, Prosperity Avenue to Goshen	\$126
Total	\$330

Conclusions

Time for action is now. We can’t do everything for everyone, but we need a series of success stories and be willing to fund them. Collaboration is essential. Coalition building and successful fund raising depends on coordination, collaboration, consensus and compromise. CALMITSAC is taking this spirit of collaboration into the development of a strategic plan for California’s Marine Transportation System. I look forward to working with you in this important endeavor. Thank you very much.



Fact Sheet
California Marine and Intermodal Transportation System Advisory Council
(CALMITSAC)

Mission Statement:

To foster development of a Marine Transportation System in California that is safe, secure, efficient, environmentally sound, and capable of expanding to meet the demands of the global economy.

Membership:

- U.S. Maritime Administration
- U.S. Coast Guard
- U.S. Environmental Protection Agency
- California State Assembly Select Committee on Ports
- California Senate Office of Research
- Caltrans
- California Business, Transportation and Housing Agency
- California Environmental Protection Agency
- California State Lands Commission
- Center for International Trade and Transportation
- California Manufacturers and Technology Association
- California Chamber of Commerce
- Infrastructure Delivery Council
- Consulting Engineers and Land Surveyors of California
- Ocean Carriers Equipment Management Association
- California Maritime Academy
- California Association of Port Authorities
- Pacific Merchant Shipping Association
- Pacific Maritime Association
- California Maritime Infrastructure Authority
- Marine Exchange of Southern California
- Marine Exchange San Francisco Bay Region
- California Marine Affairs and Navigation Conference
- International Longshore and Warehouse Union
- The Waterfront Coalition
- National Industrial Transportation League
- The Burlington Northern and Santa Fe Railway Co.

- Union Pacific Railroad
- Pacific Coast Council (of Customs Brokers and Freight Forwarders)
- Marine Transportation System National Advisory Council (MTSNAC)
- Southern California Marine Transportation System Advisory Council (SOCAL-MTSAC)
- Northern California Marine Transportation System Advisory Council (NORCAL-MTSAC)

Officers:

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Co-Vice Chair: Bob Gore, Infrastructure Delivery Council

Chair, Infrastructure and Competitiveness Committee: John Amos, NITLeague

Chair, Environmental Committee: Gary Gregory: California State Lands Commission

Chair, Port Security and Consequence Management Committee: Larry Mallon, Center for International Trade and Transportation

Chair, Policy and Funding Committee: Jeff Brown, Senate Office of Research

Executive Committee: Gill Hicks, Marianne Venieris, Bob Gore, John Amos, Gary Gregory, Larry Mallon, Jeff Brown, Norman-Fassler-Katz, Tim Schott

Staff Consultant: Norman Fassler-Katz

2005 Work Program per AB 2043:

Assembly Member Alan Lowenthal (now Senator) introduced AB 2043 on February 17, 2004. Governor Schwarzenegger approved the bill on September 29, 2004. The bill requests CALMITSAC to meet and hold public hearings and to assemble information on:

- Projected growth and congestion of ports.
- Impacts of port growth on the state's transportation system.
- The costs and benefits of a coordinated state program to obtain federal funding for maritime port growth, security, and congestion relief.
- Air pollution caused by the ports, and proposed mitigations.
- Port security.
- Statewide plan for continuing operation of ports after a major incident or disruption of port operations.
- State marine transportation policy, legislation, and planning; funding; competitiveness; environmental impacts; port safety and security; and any other matters affecting the MTS.

CALMITSAC shall also:

- Identify all state agencies that are involved with the development, planning, or coordination of maritime ports in the state.
- Identify other states that have a statewide port master plan and determine whether that plan has assisted those states in improving their maritime ports.

- Submit its findings in a report to the Legislature not later than January 1, 2006, including recommendations on methods to better manage the growth of ports and address the environmental impacts of moving goods through those ports.

DRAFT

Comments

State Transportation Subcommittee on California
Ports and Good Movement

November 16, 2005

Information Hearing

Assessing California 21st Century Needs and Consequences

From: Margaret Gordon/ Co-Chair
West Oakland Environmental Indicators Project
654-13th St Preservation Park
Oakland, CA 94612

Topics:

Environmental Health
Environmental Mitigation
Land-use
Public Participation
SB 1024

Environment Health: The Health of residents is “first” in the all expansions of Goods Movement. The great needs to have county health officers, public health practitioners engage in the evaluation, and the need of health service of residents impacted by Goods Movement. This would include free health care, research of the health of the residents and annual reports. There health concerns of Asthma, Cancer, Premature Death, Heart and Respiratory Diseases.

Environment Mitigation: Residents face the following impacts now and need resolution:

- Noise (horns, whistles and voices from loudspeakers)
- Vibration
- Smell
- Truck traffic
- Truck parking
- Smoke
- Hours of services
- Equitable Fees to truck parking
- Traffic from Trains
- Support Service for Trucker and Truck Business
- Green and other barriers separating residents for the business of Good Movement Business
- Enforcement of the mitigation
- New technology to reduce Emission
- Use of no and low emission fuels

Land-use: All trucking, train and shipping related business must place on port land and not in the residential areas.

DRAFT

Public Participation: There must have commitments of Residents, Public and Private Partnership. This Partnership is to be tailor to the needs of the impact community for full participation. USEPA Region 9 has a partnership with the resident environmental justice organization in West Oakland, the West Oakland Environment Indicators Project; together they have development the West Oakland Toxic Reduce Collaboration. This collaboration as brought stakeholder of many County Health staff, City of Oakland staff, City Council person, PGE, local trucking company, departments of USEPA, residents, CBO and NGO.

SB 1024: Could have a provision that developers on any project which is funded by SB 1024 must use upgrade or/and new low emission construction equipment, trucks and off-road on all sites in the State of California.

From:

Andrea M. Samulon
Research Associate
Pacific Institute
654 13th Street
Oakland, CA. 94612

Comments To:

State Transportation Subcommittee on California
Ports and Goods Movement

November 16, 2005

Re: Informational Hearing

**GOODS MOVEMENT:
ASSESSING CALIFORNIA'S 21ST CENTURY NEEDS AND CONSEQUENCES**

Thank you for hearing this testimony. The movement of goods, being planned for at the State and regional level, has significant impacts at a very local level. Hundreds of thousands of Bay Area residents¹ live in communities, like West Oakland and Inner West Contra Costa County that are currently impacted by goods movement through increased congestion, noise, traffic hazards, and air pollution. Many of the frequent land use conflicts in Inner West County and West Oakland are directly related to transportation networks; and the increased movement of goods is placing a strain on the entire infrastructure, and impacting quality of life through congestion, noise, traffic impacts, and land use conflicts.

A hearing such as this one, entitled "Goods Movement: Assessing California's 21st Century Needs and Consequences" must include a discussion about the fenceline communities that sit along California's ports, rail lines, rail yards, intermodal facilities, truck yards, and freeways. These fenceline communities are most heavily impacted by the goods movement system. Therefore, attention must be paid to their needs in the context of any proposed goods movement infrastructure expansion, as well as all of the potential consequences.

One of the most significant challenges in this goods movement action plan process is ensuring the meaningful participation of affected community members. How can this type of participation best be facilitated? Can we work towards guaranteeing that the participation of all stakeholders is ongoing, consistent, and valued as essential to creating the policies that we can all deem win-win-win? The smooth adoption of policies arising

¹ This includes the two communities this project is focused on in West Oakland and Inner West County, with a total of 103,000 residents. Goods movement also impacts many thousands of residents living along the I-880 corridor, the I-101 corridor and adjacent to the Port of San Francisco, Redwood City, and Benicia, as well as residents near regional airports.

out of these processes will depend on their origins in a process that is representative, participatory, transparent, and democratic. Goods movement impacted communities like West Oakland and Inner West County are in the best position to propose strategies that can improve their communities in the face of an increasing flow of goods.

I'd like to briefly touch on several of our concerns and hopes with respect to the goods movement action plan currently under discussion at the State level.

Participation

First, meaningful participation is dependent upon the existence of a well informed public—a public that has access to the facts and complex implications about California's goods movement. Currently, the public is largely uninformed, however, as to the complexities, meanings, and nuances of the goods movement system. This includes a lack of understanding of the current goods movement system, as well as the plans for expanding the infrastructure to accommodate projected growth.

Given the complexity of the issues we are dealing with, and the diverse interests that exist among goods movement stakeholders, we feel that the current timelines set forth by the state goods movement action plan process are unrealistic and do not facilitate the meaningful participation that we all value and recognize as essential for the implementation of a win-win-win plan.

Community Impacts

In general, among the people I work with, there has been a concern that the Goods Movement Phase I Foundations report does not adequately characterize the impacts of goods movement on fenceline communities. We believe that prior to any discussion about environmental mitigation, community and health improvement projects, we need to systematically characterize and study the current impacts of goods movement on communities. We must also characterize the projected impacts of all proposed expanded infrastructure. While the Goods Movement action plan includes a work group entitled Community Impact Mitigation and Workforce Development, this group cannot adequately collect input from all affected communities in order to characterize the wide variety of community impacts as a result of goods movement. As a matter of fact, at the first meeting of this very work group on November 2nd in Sacramento, there were only three people in attendance who represented affected communities. Furthermore, they were all Bay Area residents.

While fenceline communities suffer most of the negative consequences from goods movement, they receive little to none of the benefits. It is important to keep in mind throughout this planning process that not all of California is impacted equally; some communities bear most of the burden, while others are hardly affected at all.

Here are some examples of disproportionate impacts on California communities as a result of goods movement:

Goods movement leads to serious air quality and health impacts. From the arrival of goods containers on diesel ships, to the cranes, trucks, and trains that transport containers across California, the entire goods movement industry runs on diesel fuel. The exhaust from diesel fuel contributes to 70% of all airborne cancer risk,² exacerbates asthma,³ chronic bronchitis, and is linked to heart disease and premature death. Pacific Institute studies in West Oakland and Inner West County found significantly higher levels of diesel emissions in West Oakland and Inner West County than on average in their respective Counties and in the State as a whole.⁴ For example, average diesel emissions in West Oakland were over 90 times higher per square mile than the average for the State of California as a whole.⁵ Asthma hospitalization rates among children in West Oakland are 7 times higher than the state average, and in inner West County rates are nearly twice the average rate for the County as a whole.⁶

West Oakland borders the marine Port of Oakland, the fourth largest port in the country. Western Contra Costa County contains the terminus for two major rail hubs, the Burlington Northern Santa Fe and Union Pacific, as well as the Port of Richmond. As two major nodes in the rapidly expanding regional system of goods movement, the landscape and livability of these communities is being impacted by congestion, noise, traffic hazards, air pollution, and intensified land use conflicts.

West Oakland is a neighborhood located on less than 4,000 acres adjacent to the San Francisco Bay. Of the 24,000 people living in West Oakland, over 60 percent are African American and 89 percent are people of color (2000 census). West Oakland is the poorest neighborhood in the Bay Area, where 60% of the households earn less than \$25,000 per year. West Oakland has a rich African American history with a growing Latino (15 percent) and Asian (9 percent) population. Primary Asian languages spoken in West Oakland include Vietnamese and Cambodian.

West Oakland is bounded by three freeways, the I-80, I-980, and I-880 (a truck thoroughfare), and to the West by the Port of Oakland, which generates tens of thousands of truck trips every day. A Pacific Institute and West Oakland Environmental Indicators Project study found numerous truck and residential area conflicts in West Oakland, including hundreds of truck trips daily on residential streets, many of them illegally on streets not intended for trucks.⁷

North of West Oakland on the San Francisco Bay sits the bulk materials marine Port of Richmond. Adjacent to the Port of Richmond are the communities of Inner West Contra

² Office of Environmental Health Hazard Assessment. 2003. Air Pollution and Children's Health. http://www.oehha.ca.gov/public_info/facts/airkids.html.

³ Pandya, R., Solomon, G., Kinner, A., Galmes, J.R. 2002. Diesel Exhaust and Asthma: Hypotheses and Molecular Mechanisms of Action. *Environmental Health Perspectives*. Vol. 110, Sup. 1, pp 103-111.

⁴ Pacific Institute. 2005. *Deluged by Diesel: Healthy Solutions for West County*.

⁵ West Oakland Environmental Indicators Project and Pacific Institute. 2003. *Clearing the Air: Reducing Diesel Pollution in West Oakland*.

⁶ Pacific Institute. 2005. *Deluged by Diesel: Healthy Solutions for West County*.

⁷ West Oakland Environmental Indicators Project and Pacific Institute. 2003. *Clearing the Air: Reducing Diesel Pollution in West Oakland*.

Costa County. This area includes the communities of Iron Triangle and Parchester Villages in the City of Richmond, the City of San Pablo, and an unincorporated area just north of the Iron Triangle call North Richmond. The area is framed by two major highways, Interstate 580 on the south and Interstate 80 on the east, and traversed by a major thoroughfare, the Richmond Parkway. Manufacturing, petrochemical, distribution, transportation, wholesale and retail businesses dot the area near the Port and the highways.

The Richmond Parkway and the BNSF and UP train tracks bisect West Contra Costa County, creating a barrier between the walking and bicycling facilities on the San Francisco Bay Trail and in Pt. Pinole Regional Park on the west, and several low-income Richmond, North Richmond and San Pablo neighborhoods on the east. Increases in goods movement will only exacerbate this barrier. In addition, a 2001 truck route study conducted for the West Contra Costa Transportation Advisory Committee found 20 public schools in Richmond, North Richmond and San Pablo that are within one-half mile from designated truck routes, compromising the safety of access to schools via biking and walking. In West Oakland, residents have long complained about the co-location of truck services, repair facilities, container yards, truck parking, and gas stations in close proximity to residential and recreational areas. This poses safety risks for pedestrians, bicyclists and residents.

Inner West County is significantly more racially diverse than the rest of the County and the entire Bay Area, with 85 percent of its population composed of people of color. The 2000 census reported that of a total population of 74,000, 39 percent were Latino, 31 percent were African American, and 11 percent were Asian. The Countywide per capita income of \$30,600 is nearly double the per capita income in Inner West County of \$16,000.⁸ This area also has a higher proportion of people living below the poverty line and linguistically isolated households than the Contra Costa County average.

Inner West County is connected to West Oakland through rail links, the shuttle of containers via truck from the Port of Oakland to the Richmond rail yards, and trucks traveling through West County on their way to and from the Port of Oakland.⁹

⁸ Pacific Institute. 2005. *Deluged by Diesel: Healthy Solutions for West County*.

⁹ Metropolitan Transportation Commission (MTC). 2004. *Regional Goods Movement Study for the San Francisco Bay Area*.

Mitigation (Community, Health, and Environmental Improvement Projects)

In general, the better the advanced planning, there is less of a need for mitigation. Any final action plan should place health and environment at the center of the analysis and solution. Infrastructure should not supercede other priorities in decision making. Decisions around infrastructure must be accompanied by comprehensive mitigations of the environmental and health implications of goods movement expansion. This requires creating an environmental and community benefits Action Plan within the Phase II document that 1) identifies environmental and health impacts, including recent scientific findings, 2) that details specific solutions, and 3) that considers CEQA requirements.

Mitigation plans must consider and prioritize the most impacted communities. For example, if we are talking about an 85% reduction in emissions, we need to be talking about an 85% reduction in the communities that bear a disproportionate burden of the pollution. This is an environmental justice issue. It is here and we can't ignore it. When looking throughout the State of California, it is clear that minority and low-income communities are those that are most affected by the movement of goods. In the Bay Area as a whole, goods movement industries are concentrated in the "flat-lands" near the Bay, which are predominantly lower income and people of color. Asthma hospitalization rates are also nearly twice as high on the I-880 corridor (a truck thoroughfare), which is home to a higher concentration of low income and people of color, than along the I-580 corridor (where trucks are banned), which is predominantly higher income.

We want to ensure that the mitigation plans will occur simultaneous to the plans for infrastructure development. We know that there is funding for infrastructure, plans in place, proposed projects, and a deep desire among many people to get the show on the road. What assurance, or insurance, do we have that environmental mitigation, community and health improvement projects will not become mere afterthoughts, or pushed to the side, despite the meaningful conversations that we have? How can we guarantee that a percentage of all monies that go towards infrastructure will be set-aside in a community improvement fund?

Communities are asking for simple and achievable things. For example, buffers, grade separation, truck routes, pedestrian walkways, and parks are just some of the mitigation projects that could greatly benefit fenceline communities.

Who Pays

The polluter pays philosophy must play a central role in our thinking. While the economic benefit of Port activities is felt regionally, small communities surrounding Ports and other goods movement infrastructure feel the burden of environmental pollution and health problems. In order for ships to deliver containers, which will then be transported through these communities, shipping companies and retailers should pay a container fee. This money will be put into a community fund, to be used for mitigation, health projects, public participation, and other community concerns. The notion of container fees is a highly contentious issue in this goods movement debate. Many shippers feel that container fees will punish them, that they will not be able to compete, and often claim that they will be forced to send their business elsewhere. However, there

seems to be plenty of evidence in the form of respected studies (i.e. Leachman) to demonstrate that a fee of approximately \$190-200 may be applied to containers in the Port of Long Beach without any significant negative impact on business.

Economy

Goods movement is not inherently an economic engine; it must be planned well. Jobs, health, and the environment must be generated, not degraded by goods movement and any expansion associated with it. Although goods movement is lauded as California's primary economic driver, with one out of every seven jobs in the State related to the industry, there is seldom any discussion about a social economy. A social economy is built on equity, sustainability, and long-term planning. California's goods movement, as it operates right now, is creating benefits for some, but severe damage and despair for many.

In closing, I'd like to say that we are not opposed to California's participation in the globalized economy—but we are opposed to California's participation if it comes at the expense of human health and the environment.

When we talk about goods movement as an economic engine, I hope we keep in mind that if this engine isn't sustainable in all aspects—it will fail to bear the fruits that it currently promises. Sustainability is often defined as the ability to provide for our needs today without compromising our ability to provide for our needs in the future. But, sustainability also means healthy jobs, excellent primary schools and public education in general, a clean environment, healthy neighborhoods, the best available and cleanest technology, and healthy people.

Thank you.

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