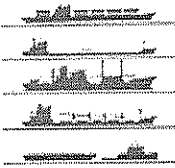


Mike Jacob

10-3-3

**PMSA**



March 24, 2010

Mary Nichols, Chair  
California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95812

**RE: Update to Proposition 1B Program Guidelines for Administration of the  
"California Ports Infrastructure, Security, and Air Quality Improvement Account"**

Dear Chair Nichols and Boardmembers,

On behalf of the members of the Pacific Merchant Shipping Association (PMSA), I am writing to present our comments on the proposed Updates to the Guidelines for implementing the Proposition 1B Goods Movement Emission Reduction Program within the California Ports Infrastructure, Security, and Air Quality Improvement Account. PMSA represents ocean carriers and marine terminal operators which conduct business at all of California's public ports.

In order to deliver maximum and early air quality improvements at our Ports it is imperative that the Board maintain the maximum amount of funding possible for maritime sources and institute the maximum amount of program administrative flexibility for Ports to implement their own programs such that they maximize emissions reductions in the most cost-effective manner.

Keeping 1B funding for air quality improvements at the ports are not only of critical importance to the health of citizens in impacted communities throughout our state, but it is also of critical importance to the vitality and competitiveness of our maritime economy, which has been decimated by the global recession.

Our current economic challenges cannot be understated. Our industry is suffering through annual losses in the ocean carrier business totaling over \$20 billion, as a result of "a time when trade is undergoing its worst slump since World War II." (*Wall Street Journal*, March 5, 2010). In May of last year, *The New York Times* proclaimed that "[t]he current downturn has so badly battered shipping that it makes the auto industry look healthy by comparison." And, in October, *The Financial Times* quipped: "Recession rules of thumb, number one: however grim things get in your industry, they are worse in container shipping."

Since the passage of 1B in 2006, many aspects of the state's containerized trade and port economy have changed dramatically, especially given the fact that 2006 was California's cargo throughput peak. Since then, we have lost 23.6% of our containerized trade, from 18,151,814 teu's to 13,867,763 teu's in 2009, and over 30% of our total longshore labor shifts on the waterfront. These debilitating losses have not only obliterated the profitability of ocean carriers and terminals, but they have placed significant financial hackles on the ports themselves.

**Pacific Merchant Shipping Association**

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Another significant change in our industry since Proposition 1B was placed before the voters in 2006, has been the imposition by CARB of regulations on the ports and their private industry partners in the maritime supply chain that will ultimately cost over \$5 billion. As a result, our costs will continue to increase in the face of our revenues decreasing.

In the initial guidelines adopted by the Board in 2008, 50% of the total funds available in the "California Ports Infrastructure, Security, and Air Quality Improvement Account" was targeted specifically for Port purposes (\$500 million of the \$1 billion total). This is consistent not only with the intent of the legislature when placing Proposition 1B on the ballot but also with the will of the voters who approved these funds. As described in the very name of the account at issue here, the focus of the utilization of these funds needs to remain on the reduction of emissions from port-related sources. Of these funds, \$377 million remain unallocated after the first round of awards in 2008.

We respectfully request that the full identified need of the Ports' collective remaining cold-ironing costs be maintained in the revised guidelines. This would equal \$325 million. The remaining balance of some \$52 million can be retargeted towards on-road trucks as contemplated by staff. This \$325 million translates into the Ports having a 43% share of the remaining \$750 million in the "Ports ... Air Quality Investment Account."

We feel that this is not only a fair distribution given the history of Proposition 1B, the cost-effectiveness of cold-ironing and shoreside power projects, and the geographic distribution of the funding targets, but, more importantly these funds represent a total funding ratio of a little under 5:1 when compared to the remaining \$1.5 billion in private shorepower costs that will be spent just to reach the baseline regulatory condition. This ratio will only improve when one considers that the Proposition 1B funds cannot be used to achieve simply the baseline condition, but instead must result in early and/or extra emissions reductions above the regulatory benefits that the state will already be receiving from the cold-ironing regulations adopted by this Board.

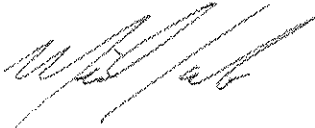
Moreover, we would respectfully request that the Board acknowledge that time is of the essence with regard to these critical air quality infrastructure investments, and that by expediting the administrative processes associated with the shorepower grants not only will the communities breathe easier sooner, but we put many thousands of Californians back to work. We ask you to consider making direct grants to the Ports to administer these funds and eliminate the need for additional competition for funds at the local level. These investments would be of public funds to local public agencies tasked with developing public infrastructure for public benefit. There are already multiple layers of oversight and scrutiny and all of the activities to be funded are subject to public review.

Chair Nichols  
Proposition 1B Guidelines  
March 24, 2010  
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We appreciate the work to-date on these revisions done by the Board staff and we have commented extensively on the issues presented during the recent workshop process and over the course of the past year. Please find attached some of our previous comments regarding Proposition 1B and the Guideline revision process.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Jacob", written over a light blue horizontal line.

Mike Jacob  
Vice President

Attachments

cc: Boardmembers, Air Resources Board  
Cynthia Marvin, Air Resources Board  
Advocation, Inc.  
KP Public Affairs  
Shaw/Yoder/Antwih