Southern California Leadership Council
Draft "Straw Man" Consensus
March 1, 2006

I. About the SCLC

The Southern California Leadership Council (SCLC) is a business-led and sponsored public policy partnership for the Southern California region. The Council with the support of California's four former Governors provides proactive leadership for a strong economy, a vital business environment and a better quality of life for everyone who lives here.

Other regions in Southern California and elsewhere are encouraged to engage in this methodology by blending together - in a holistic approach - their positions into a statewide consensus on the critical need for goods movement infrastructure. We believe a consensus of all parties will be the most effective way in achieving a goods movement solution for California. When we use the term goods movement, we encompass all aspects of air, sea and ground transportation.

Logistics has become the surrogate for manufacturing in providing jobs and business opportunities in Southern California. We feel that most of the stakeholders will recognize the confluence of economic, environmental and public health and safety benefits to be achieved.

The following paper outlines a draft or "straw man" consensus for a goods movement solution for California, hopefully in concert with the unified position taken by all the stakeholders which can also be used to achieve state, federal and private sector support for goods movement infrastructure.

II. Introduction

The goods movement challenge of California has been subjected to a barrage of competing advocacy groups, environmentalists, businesses, economic development agencies, planning agencies, and bureaucratic institutions. With so many interested parties vying for input or ownership in the solution, any consensus is threatened with delay and gridlock.

III. Opportunity

Southern California cannot afford any more delay and gridlock on this issue of critical importance to our future. California has a small window of opportunity to effectuate a goods movement solution. In light of our current congressional leadership, California is well-positioned to solve this challenge if we act now. Enough research has been done and input made. We know what the solutions are, so now is the time to act. The goal of this paper is to define issues that unite us and divide us, establish the need for a consensus in an effort to transcend the barriers that bar us from a solution, and to propose future steps towards realizing this solution. We believe that the business community must play a larger role in this effort; therefore our focus will be on the dollar economic and other impacts values associated with each solution.

IV. Stakeholders

In crafting this "straw man" consensus document, we will consider the policies of 21 main stakeholders. They are as follows: SCAG, LA Area Chamber of Commerce, Mobility 21, CA Trade, Reason Foundation, Pacific Merchant Shipping Association, ILWU, Teamsters, San Diego Regional Chamber, Ports of Hueneme, LA, Long Beach, California Trucking Association, BNSF, UP, Metrolink and the 6-County Transportation Commissions. These stakeholders were chosen based on reputation, quality of research, and strength of argument. There are of course others who may want to join this core group.

V. Concepts that Unite Us

The first step towards reaching a consensus is to identify concepts in which all parties agree. These mutually agreeable concepts will be identified by differing alternative funding sources and mobility project delivery laws. Our method here is by no means to duplicate the volumes of research completed to justify these concepts, but to provide a general overview of the challenges that face us and the concepts that have a broad continuity.

a. Public Education as to the Importance of the Issue

Perhaps the most pressing need is to educate our communities and our public leaders (local, state and federal) regarding the critical importance of our international trade infrastructure challenges and benefits. The call to action is driven by the continued growth of goods movement – more consumers, more demand, more cars and trucks on the highways and more trains, all vying for existing, already inadequate transportation infrastructure. Hence the worsening of congestion, air quality, community impacts and quality of life. **Given that a doubling and even tripling of container traffic is ahead, no action is not an option**. Two simultaneous efforts are needed:

i. Education of local communities and local and state officials on the crisis and the solutions which can both improve public health and safety concerns through systematic improvements of trade infrastructure corridors (the "green freight" concept). By investing in new freight rail capacity and truck lanes, Southern California could add over 450,000 logistics-related jobs and produce over $17.6 billion in additional federal, state, and local revenue by 2035. [1] According to Dr. John Husing, a noted Southern California economist, the numbers are dramatically higher. Both Husing and the LAEDC have estimated there are more than one million additional jobs related to trade growth in Southern California. These are the blue collar, middle income jobs that the 50% of our population without a college education need to earn a livable wage for their families.

[1] Southern California Association of Governments. "Southern California Regional Strategy for Goods Movement: A Plan of Action." March 2005. pp. 4, 8

ii. We need to develop a business led national awareness campaign targeted at the White House and Congress. This campaign should be a collaborative effort of the country's global gateways (e.g., Southern California, Houston, Chicago, New York, Miami, etc.) each facing similar goods movement and environmental challenges who need federal funding and support authority.

There should be three specific deliverables.

1) A White House Conference focused on the importance of international trade infrastructure on national competitiveness and jobs;
2) Development of a National Freight Plan identifying projects of national significance including public health and safety measures; and
3) $4-5 billion of funding and/or financing and implementing authority, including NEPA Authority, for California (each national region will need to identify their needs in the collaborative).

b. Funding Sources

Funding sources are a contentious subject, but there are several sources that are unanimous. Goods movement projects must be funded through a variety of traditional and non-traditional revenue sources that do not compete with other transportation priorities. We will segregate these funding sources based on Federal, State, and Private Industry.

i. State

Exacerbating the difficulty in garnering Federal funds for goods movement projects, the state has also failed to be a major funding source. Unlike Texas who has created aggressive funding programs like Tex21 which maximize availability of state, federal and private funding, California has no such legislation to supplement state funding capability. California is under budget constraints, deep in debt, and forces local communities to pay for transportation projects of state-wide significance. In addition, there are no state laws protecting transportation funds from being borrowed against, and there are no programs facilitating private investment in transportation projects with revenue generating ability. However, Governor Schwarzenegger in his State-of-the-State has proposed new infrastructure funding approaches for California. The following are alternatives designed to attract alternative investments in public infrastructure.

1. Toll Truck ways

Challenge: California's freeways are used by a combination of national and intrastate goods movement, with a majority of goods movement being intrastate. Some goods are imports and others exports. Many of the trucks that benefit from this system do not tow containers but trailers. With this diversity, it is difficult to distinguish truck activity as national or intrastate, import or export, empty or filled, container or trailer. In order to charge voluntary user fees that are uniformly applied on all truck traffic, we need a program that is indiscriminate of destination or what a truck is towing since all traffic absorbs the same infrastructure. [2]

Position: We support dedicated truck toll ways that segregate all truck traffic from non-truck traffic along primary goods movement corridors such as the West Coast National Freight Gateway. This will facilitate an 84% increase in reliability for users, as well as saved time and fuel costs. It will also improve public health and safety along these dedicated corridors. Based on current research, we support tolls with variability determined by congestion level. By 2012 this initiative could reduce between 33 and 66 million tons of carbon dioxide (CO2) emissions and 200,000 tons of nitrogen oxides (NOx) per year, while saving 150 million barrels of oil annually.[3]

Challenge: Under California law, Longer Combination Vehicles (LCVs: long doubles and short triples) are not permitted on existing highways. Existing freeways and approach roads are not designed for such big-rigs and there is strong public opposition to mixing them with regular traffic. Average truck speeds in unmanaged mixed traffic are a low 35-40 mph. Non-truck speeds are slower and more congested when mixed with slow-moving trucks.[4] It has been shown that slower truck traffic increases the production of NOx. Significantly faster truck traffic quickly translates into cleaner air.

Position: We support LCVs on newly designed self-contained truck toll ways – barrier separated from mixed traffic lanes. They are a key way to lower fuel and shipping costs, reduce freeway accident rates and insurance costs, and reduce emissions. Productivity is increased by allowing long doubles (100%) and short triples (50%). A dedicated truck toll way could permit speeds up to 75 mph (average speed 60 mph), producing as much as a 58% gain in revenue miles. Based on 100 miles, trucker savings will be: semi-trailer (12.2%); double-short (12.2%); triple-short (15.2%); and double-long (18.3%). In enabling trucks to access truck only toll ways from non-truck traffic, non-truck traffic will be able to move at faster speeds. [5] We recognize the inherent competition between LCV's and rail but believe either option would be an improvement over traditional unsegregated truck traffic.

2. Voluntary User Fees for Cargo Owners

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[2] Leachman, Dr. Robert C. "Final Report: Port and Modal Elasticity Study." Southern California Association of Governments. September 8, 2005. pp. 103

[3] Cited but not sourced in Poole, Robert W., Peter Samuel, and Brian F. Chase. "Building for the Future: Easing California's Transportation Crisis with Tolls and Public-Private Partnerships." Reason Foundation Policy Study No. 324, January 2005. pp. 25

[4] Poole 19-21

[5] Poole 22

Challenge: 70% of the containers unloaded at the ports of LA/LB pass through Southern California to other states.[6] Many of these containers are transported by rail via the East Alameda Corridor and via truck on the eastbound freeways out of the State. The lack of grade separations creates thousands of daily vehicle hours of delay, pollution, noise, safety hazards, and prevents trains from traveling at optimum speeds. State and federal funding sources to build the EAC grade separations have been insufficient and trucks hauling containers are also overwhelming the system.

Position: We support voluntary user fees that are market and mode neutral for the EAC, much like the methods used on the original Alameda Corridor and currently used for PierPASS. Cargo owners opting to use the EAC would pay a voluntary user fee that will return the principal of the bonds used to finance the project. The cargo owners will benefit from the decreased travel times, and the community will benefit from decreased noise, pollution, travel delay, and increased safety. Only a business solution will attract voluntary fees from the private sector. In addition, grade separations dramatically increase surface street movement and facilitate the free movement of fire and police vehicles. Fees from trucks would support toll roads and freeway projects. We would also encourage voluntary user contribution concepts which would enable the private sector to offer contributions to projects as a form of support or mitigation offset.

3. Gas Tax

Challenge: The gas tax is a user fee for use of the transportation system. There is a direct correlation between gas consumption and use of roads; the more gas consumed the more traffic on our highways. The problem is that vehicles today are getting better mileage – there are more Vehicle Miles Traveled (VMTs) on a gallon of gas than there was when the gas tax was first implemented. Without indexing the gas tax to adjust with inflation or gas price, or further adjusting the gas tax to account for better mileage or VMTs, this user fee becomes insufficient to keep up with demand.

Position: We support investigating various methodologies in order to augment the gas tax so that it is sufficient in keeping up with demand. In addition, we support the absolute protection of the use of these gas tax funds including Proposition 42 funds for the transportation funding purposes intended on ongoing uninterrupted basis.

4. SB 1165 (Dutton): Governor's Strategic Growth Plan

Concept: A 10 year plan to invest in California's transportation, education, water, public safety and public service infrastructure to ensure the state is prepared to meet the needs of its people into the 21st century. The plan leverages $68.8 billion

[6] Southern California Association of Governments. "Southern California Regional Strategy for Goods Movement: A Plan of Action." March 2005. pp. 4

dollars in bonds over the next 10 years to invest more than $222 billion in the state's infrastructure without raising taxes. This plan is designed to reduce traffic congestion by 18 percent over the next decade by building 1200 miles of new highway and HOV lanes in congested areas and adding 600 miles of mass transit.

1) $107 billion total investment in transportation infrastructure over the next decade
2) $47 billion from existing funding sources such as Prop. 42 and federal funds.
3) $48 billion in new funding is proposed from leveraging existing funds.
4) $12 billion in new bond funds to attract increased federal, local and private funding. These bonds would be approved by California voters in two $6 billion authorizations in 2006 and 2008.
5) Protecting Proposition 42 permanently through a constitutional amendment to eliminate the option for future governors and legislatures to suspend funding.
6) Using design-build contracting and design-sequencing construction to deliver projects more quickly and efficiently.
7) Pursuing public-private partnerships to complete projects such as high occupancy toll lanes, regular toll lanes, truck lanes and freight movement facilities where a predictable revenue stream will be created to re-pay capital investments.
8) Road and port congestion produces pollution which decreases productivity and increases health care costs. For this reason, SB 1165 also includes $1 billion in bonds to be matched by $1 billion in funding from other sources to reduce goods-movement related pollution.[7]

Position: As of this writing, we are still analyzing the provisions of SB 1165, but we support in concept the Governor's commitment to infrastructure. The state needs to be an active funding participant in goods movement infrastructure and related public health funding. We believe the following criteria should be used in allocating such funding and providing priority in environmental review:

1) Goods movement systems of regional or statewide significance, including public health related issues
2) Performance based selection from regionally vetted lists
3) Degree of readiness for construction/operation
4) Opportunity for private sector participation and leverage
5) Environmental and public health clearance obtained

We also believe that funds provided by the state should be limited to public benefits and funds from the private sector should be limited to private benefit, including remediation, and that all such funds be maintained in project specific, "lock box" accounts.

[7] Office of the Governor. "Governor Schwarzenegger Proposes Strategic Growth Plan for California's Future." Press Release. January 5, 2006.

In the following section we will discuss bills introduced last year in 2005. These bills expired as of last year's legislative session and will need to be reintroduced by their authors. We support concepts contained in these bills although the bills have expired.

5. AB 850 (Canciamilla): Toll Roads

Challenge: There exists no mechanism that would allow the state to implement financing arrangements with private entities to pay for transportation improvements. Previous attempts to build toll roads were complicated by a non-compete clause. A non-compete clause created problems when toll lanes were added to Highway 91 in Orange County. The clause barred improvements on the highway's free lanes because improvements could lessen use of the toll lanes. The county's transportation agency eventually bought out the private owner to remove the clause.

Position: As now incorporated in SB 1165 (Dutton), we support AB 850 which would allow CalTrans to enter into public-private partnerships to build toll lanes on crowded freeways. While private investors recoup costs through tolls, AB 850 is different from past bills because it prohibits non-compete clauses, thereby allowing improvements on free lanes. While an absolute ban on non-complete clauses may not be necessary, less draconian non-complete concepts which compensate for lost revenues may be appropriate. In addition, private partners must pay local property taxes, maintenance and law enforcement costs for the toll lanes. AB 850 requires that toll lanes return to free public use after 35 years (however, we would recommend at least 50 years and for using tolls as a permanent supplement and potential replacement for fuel taxes).

6. ACA 4 (Plescia): Prop. 42 Protection

Challenge: Since first passed in 2002, California Proposition 42 has suffered a moratorium as its funds were borrowed to stabilize California's budget crisis. 2005-2006 was the first year Prop. 42 was fully-funded, yet its fait in future state budgets is still precarious. There is no law preventing Prop. 42 from being suspended and borrowed from.

Position: We support ACA 4, a bill that will solidify a mandate to spend gas tax money (Proposition 42 dollars) on transportation projects it was designed to fund because this is the only fair use of the gas tax. We would also mandate ongoing spending once funds are collected.

7. AB 1783 (Nunez): Draft Bill

Concept:

1. Repayment of transportation funds resulting from the suspension of the General Fund Proposition 42 transfers in 2003-04 and 2004-05 fiscal years.

2. Goods movement, community, and environmental mitigation for planning, design, engineering, and environmental activities related to highway capacity improvements, freight rail system improvements, and environmental mitigation.
3. Public transportation, including investments in inner city passenger rail systems and transit for the elderly and disabled and other capital programs eligible for funds under the Public Transportation Account.
4. Transportation security, including ports and mass transit.
5. Regional Coordinating Partnerships for congestion relief.
6. **This infrastructure investment will be provided using a mix of funding sources, although not yet defined.**
7. That an infrastructure investment plan should be consistent with the 5-year state infrastructure required by law.
8. That the Administration must ensure that there is a specific plan for sale and liquidation of existing bonds for state infrastructure that have already been approved by the people and the Legislature.
9. That there should be new funding sources for as much of the infrastructure financing as practical in order to protect the state's finances and reduce demands on the state General Fund.
10. That any infrastructure financing plan that include new bonds shall include a strategy for sale of bonds that maximizes return, minimizes debt service costs to the state, avoids interest penalties, and does no harm to the state's credit ratings.[8]

<u>Position</u>: We understand that the speaker's bill has been withdrawn but that certain provisions may be included in a consensus approach.

8. SB 1024 (Perata)

<u>Concept</u>: A $12.8 billion bond measure that would allocate funds to a range of critical infrastructure projects, including highways, goods movement, and the precarious levees of the Bay-Delta. It would remove the high-speed rail bond measure from the November ballot but also provide $1 billion that could be used to begin buying right-of-way for the trains.

<u>Support:</u> A $12.8 billion bond would provide immediate funding for goods movement projects. It appears that SB 1165 (the governor's proposal) will incorporate a significantly larger bond issuance than that contemplated under SB 1024. We support bonding as a methodology to advance the construction of much needed infrastructure, and to provide match money for private investment in this infrastructure. We support SB 1165 as it extends funding that encompasses a greater number of goods movement projects in California. We encourage a common ground joining of Dutton and Perata Bills which includes major funding for goods movement infrastructure and related public health and environmental enhancements.

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[8] Office of Speaker Fabian Nunez. "Speaker Fabian Nunez Introduces Framework for Infrastructure Bond." Press Release. January 6, 2006

ii. Federal

Due to geographical proximity with Mexico and Asia, along with deep-water ports, California has become a trade gateway to the rest of the nation. Roughly 20% of the total goods movement in California is of national significance. Nearly $200 billion worth of goods transiting these ports in 2000 provided the nation with $208 billion in economic output and generated over $16.4 billion in state and local taxes and 2 million jobs throughout the country. Therefore, it is fair to justify a more equitable distribution of federal funding for California goods movement projects of national significance.

1. Collect Incremental Percentage of Customs Revenue

Challenge: In 2003 alone, the U.S. Treasury collected 45 percent of all U.S. Customs revenue on products that go through the ports and corridors of Southern California. The ports of LA/LB alone generated $6.6 billion in customs revenue. None of that revenue is used to reinvest in the country's trade corridors or intermodal systems. In fact, it isn't used for trade related infrastructure investment at all.[9] California-owned business pays a huge amount of the total duties collected at all ports of entry and should see benefits for their payments to the Treasury. Even though this number isn't known California owned businesses paid duties are likely to dwarf the other 49 states business that pay customs duties.

Position: We support capping the customs revenue generated by California imports at its present value. Collect a portion of the increase in customs revenue and designate this income to pay for goods movement projects of national significance.

2. Provide Freight Infrastructure Investment Tax-Credits

Challenge: Private industry has a business interest in improving transportation infrastructure, as they are a major beneficiary. Infrastructure improvements will decrease lost time wasted in traffic, decrease fuel costs, and improve on-demand-delivery reliability. There is no current mechanism for private industry to invest in transportation infrastructure.

Position: We support a tax-credit equity financing model structured much like the New Markets Tax Credit for community development. The equity provider would receive tax credit returns calculated on the basis of combined total investment (both debt and equity); a federal tax credit annually projected over a maximum term of 20 years. These tax credits are large enough of a return for the equity investors, essentially leaving the equity principal in the project. There would be no container or toll fees collected to return the principal of the project.

[9] Los Angeles Economic Development Corporation. "The West Coast National Freight Gateway (WCNFG): A Trade Congestion Reduction Program." 2004. pp. 18

A Joint Powers Authority must be created to collect and distribute funds for designated projects.[10]

3. Fund projects of National Significance

Challenge: Historically, California goods movement projects of national significance have failed to garner Federal funding. This is partly due to many disparate interests lobbying for specific projects instead of one comprehensive plan that integrates all projects together.

Position: We support a statewide coalition that unites all disparate interests into one collective voice to advocate for the Federal funding of these projects. This coalition will identify the national significance of specific projects as they relate to national jobs, state income taxes and sales taxes, and federal revenue.

4. SAFE-TEA-LU Reauthorization

Challenge: Since reauthorization, there has been much discussion regarding grade separation funding but nothing implemented.

Position: We support an equitable division of the proceeds as originally anticipated.

iii. Private Industry

Aside from toll roads and railroads the private sector has never invested in transportation projects. They never had reason to, nor was there a mechanism to facilitate this effort. Now, as transportation funding drops and traffic congestion is making goods movement costs more expensive, the business community is looking to solve the problem. Generating leverage for state and federal infrastructure funding, Public-Private Partnerships have become a critical source of the money and talent to address California's infrastructure needs. (A Public-Private Partnerships Best Practices Summary is appended to this document.)

Challenge: In order to entice private industry to invest in goods movement infrastructure, there must be a way for the business community to receive a quantified return on their investment. The third leg of the stool is to engage private industry in investing in goods movement projects. Many businesses depend on our freeways for fast, efficient and reliable transportation. The longer and less reliable goods movement is, the more costly it is to business. Thus there is a monetary incentive for businesses to invest in transportation infrastructure.

Position: We support the following methodology:

[10] c2group. "Tax Credit Equity Financing for Goods Movement Projects: Financing Synopsis." January, 26 2005

1) Provide a mechanism at the federal level for tax-credit bonds for goods movement projects. Please refer back to "*2. Provide Freight Infrastructure Investment Tax-Credits*" on page 3.
2) Select from a vetted list of transportation improvement projects as a part of a regional system that identifies project cost and the monetary benefits and develop a consensus around these projects by the business community.
3) Form several Freight Investment Entities (FIE) together with several Investment LLPs on a sub-regional or project-specific basis.
4) These FIEs will provide low cost loans and investments for planning, design, engineering, environmental permitting, acquisition, construction and rehabilitation of projects related to facilitating goods movement. Additionally, associated local community mitigation needs may qualify.
5) These FIEs will show the business community the cost benefits of investing in the project.
6) These FIEs will collect funding from tax-credit bonds to pay for project.
7) These FIEs will build project.
8) Either private industry will receive tax-credits and benefit from the project or alternatively a federal tax credit bond could be issued to pay only the interest on the bonds using incremental customs revenue as the offset.
9) Create a mechanism to ensure that private industry investment is earmarked only for the identified projects in which they are investing.

We recognize that Transportation Authorities may resist such projects but should be encouraged to either address the needs or support these alternative delivery mechanisms.

c. Mobility Project Delivery Laws

California law has strict mobility project delivery laws that are behind innovative procurement arrangements, such as the design-build method, that compress the project delivery timeline and save costs. Existing changes to state law are needed to make this process more widely applicable. AB 1266 and SB 705 advanced these efforts in 2005 as part of the Governor's Go California package but appear to have stalled. These bills expire at the end of this legislative session but it is the concepts therein that we support.

i. SB 705 (Runner): Design-Build

<u>Challenge</u>: California is using an inefficient methodology to design and build projects. Design-build is a time savings process that eliminates the second bidding step. Eighteen others states already use this method. Utah saved roughly $30 million and shaved nearly 3 years off a $1.56 billion project to add lanes and make other improvements to I-15 before the 2002 Winter Olympics. In addition, drivers experienced minimal traffic disruption thanks to the design-build process.

<u>Concept</u>: We support SB 705 which would allow CalTrans to use design-build to implement a time-saving process. It places the design and construction of a

transportation project under a single contractor, thus accelerating completion, containing costs, and allowing design flaws to be corrected early. However, we also believe that special purpose (finance, design, build and operate authorities) need to be created to implement needed projects on a near term, timely and cost effective basis as demonstrated by the Alameda Corridor Transportation Authority.

VI. Concepts that Divide Us

The second step towards reaching a consensus is to identify solutions in which all parties do not agree. Using a similar method as exercised previously, we will provide a general overview of a proposed solution and its objections.

a. Mandatory Container Fees

Concept: Charge mandatory fees at the San Pedro Ports on all import and export containers like the PierPASS program.

Support: A mandatory container fee is a guaranteed, dependable source of revenue to fund goods movement projects or repay the principle on bonds used to fund goods movement projects. Combined with congestion relief, container fees are inelastic up to $200. According to the Leachman Elasticity Study, a container fee of $192 per import FEU (forty-foot equivalent unit) is sufficient to generate the bond repayment required for the assumed congestion relief. This will result in 12.5% more trans-loading volume, 4% less total volume, causing a significant increase in economic activity in Southern California. A fee of $190 used to fund an effective program of congestion relief seems a wise investment. Total port volume might decrease marginally, but trans-loaded volume will increase more significantly.[11]

Objection: CalTrade believes container fees to be unconstitutional, violate trade agreements, and subject to immediate legal challenge, throwing any projects relying on such funding in jeopardy. Stakeholders should further investigate the viability of other, more broad-based, funding options which may include: a) true user fees on the actual users of the new infrastructure proposed for construction; b) the availability of traditional financing tools for these projects, including revenue or tax-credit bonds, with capitalization by local sales taxes; c) statewide sales taxes; d) general obligation bonds; and e) incentives and financial backing for the development of true public-private partnerships to create infrastructure.[12]

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[11] Leachman, Robert "SCAG's Port and Modal Elasticity Study: Stakeholders' Briefing." Leachman & Associates, LLC. August 28, 2005. pp. 46, 50. The $192 container fee is based on $20 billion infrastructure investment, import growth of 6% a year, Tax-Exempt bonds issued at 6% a year over 30 years, and no funding available other than these bonds.

[12] The California Trade Coalition. "Goods Movement Action Plan Integrating Work Group – Principles: Letter to Secretaries Sunne McPeak and Dr. Alan Lloyd." November 22, 2005. pp. 3-4

"John McLaurin, President of the Pacific Merchant Shipping Association, which represents shipping lines and terminal operators, said project-specific fees that capture revenues for designated infrastructure improvements make business sense, whereas general container fees do not."[13]

We believe that any container fee must be voluntary and approved by the business sector that will pay it.

b. SB 1026 (Kuehl): Highway construction contracts: design-build projects.

Concept: Existing law makes the Department of Transportation responsible for improving and maintaining the state highway system. Under existing law, until January 1, 2010, the department is authorized to utilize Design-Sequencing as an alternative contracting method for the design and construction of not more than 12 transportation projects. This bill would authorize the LA MTA to use Design-Build for the construction of one project in LA.

Support: SB 1026 provides the opportunity to prove-out the concept of Design-Build in a controlled manner and has now been passed into law.

SB 1026 now needs to be supplemented to allow broader access to projects in all parts of the state with no sunset provisions.

c. AB 372 (Nation): Design-Build Sunset Extension

Concept: Extends the sunset provision of the existing state pilot program for Design-Build from January 1, 2010 to January 1, 2011.

Support: AB 372 provides the opportunity to extend the sunset provision to truth-out the concept of Design-Build.

Objection: We support no sunset provision for Design-Build; that it extend indefinitely. The Design-Build program as a whole needs to be expanded and regularized. It is a waste of time and resources to advocate for Design-Build again the following year.

d. AB 1266 (Niello): Design-Sequencing

Challenge: CalTrans cannot begin construction until a design is finalized. This delays projects and thus increases costs because construction materials and right-of-way costs continue to climb while the design is completed.

[13] Mongelluzzo, Bill. "Schwarzenegger wants Calif. Freight upgrades." *The Journal of Commerce Online*. January 6, 2006.

Support: AB 1266 extends CalTrans' authority by two years to build new projects using a design-sequencing system, allowing CalTrans to award contracts with plans that are as little as 30% complete. This means that the contractor can work with state engineers to incorporate innovative construction methods and designs to speed up project delivery and save money. Not only has every project built under the pilot program so far come in early (some completed up to 20 months sooner than expected), but most were completed under budget. By streamlining project delivery, state Transportation Committee analysts say design-sequencing "has the potential of accelerating transportation projects, generating millions of dollars in savings." AB 1266 will allow transportation projects to be built cheaper and faster.

Objection: We support AB 1266 to the extent that there is no sunset provision for Design-Sequencing. The Design-Sequencing program as a whole needs to be expanded and regularized. It is a waste of time and resources to advocate for Design-Sequencing again in two years.

VII. Need for a Consensus

As we can see, there is more that unites us than divides us. Our problem is that there are too many disparate voices advocating versions of the same solutions. Now is the time to come together to form a coalition that unites all the disparate groups under one voice. In creating this united front, California will be well-positioned to effectuate a goods movement solution.

It is not reaching hyperbole to say that California's future is much dependent on infrastructure for goods movement not only for traffic and environmental solutions but job opportunities for those who will otherwise be disenfranchised in the 21st century. Business groups have a mandate to look beyond the short term horizon. We must ask ourselves: what will Southern California look like and where will its people work in the new millennium?

VIII. Future Steps

- Use this consensus approach to craft a Consensus Infrastructure Bond Measure
- Support passage of the Bond Measure in public elections
- Expand our efforts to create a national coalition of trade infrastructure interests among global gateway regions to achieve federal support
- Support rapid implementation of goods movement projects in Southern California