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SB 1104 (Gonzalez) Office of Freight

SUMMARY

SB 1104 will advance the economic vitality and long-term sustainability of the freight sector by creating an Office of Freight within the Governor's Office of Business and Economic Development (Go-BIZ) to serve as the coordinating entity on freight among key state agencies and stakeholders across the State. SB 1104 will also require the new Office of Freight to develop an assessment by December 31, 2024, and every five years thereafter, that evaluates and plans for the economic competitiveness of the freight sector in coordination with the state's current sustainability goals.

EXISTING LAW

In 2015, Governor Brown issued Executive Order B-32-15, which directed the California Air Resources Board (CARB) and other State agencies to develop a California Sustainable Freight Action Plan (Action Plan). The Action Plan provided a vision for Freight planning supported by three pillars: economic competitiveness, infrastructure, and sustainability. Currently, state law includes robust planning for freight infrastructure and sustainability.

Assembly Bill 14 (Lowenthal, Chapter 223, Statutes of 2013) created the California Freight Advisory Committee and requires the California Department of Transportation (Caltrans) to collaborate with the advisory committee and stakeholders to develop the California Freight Mobility Plan (CFMP) every 5 years, a plan that outlines future investments in freight, with an emphasis on infrastructure planning.

California also has various laws, dozens of regulations and incentive programs for the sustainability of and the reduction of emissions from the freight sector.

Existing law requires CARB to prepare and approve a Scoping Plan, to be updated every five years, to achieve the maximum technologically feasible and cost-effective

reduction of greenhouse gas (GHG) emissions. Given that the transportation sector accounts for approximately 40-50% of GHG emissions and adversely affects air quality, the Scoping Plan lays out various goals and efforts to reduce emissions from freight and mobile sources including efforts to accelerate deployment of clean heavy duty vehicles, equipment, and fuels in the freight sector.

BACKGROUND/PROBLEM

The freight sector, including ports, truck and rail transportation, and warehouses and distribution centers, is vital to California's economy. The freight sector drives one-third of California's economy, and creates millions of direct and indirect jobs¹ with trillions of dollars of goods being shipped through the State.²

Despite its critical importance to the state, the freight sector lacks high-level coordination and resiliency, as evidenced during the ongoing supply chain crisis. In 2021, the Ports of Los Angeles and Long Beach saw over a 30% increases in flow of goods,³ which overwhelmed the supply chain, resulting in up to 80 container ships waiting to dock at the ports⁴. Container dwell times skyrocketed up to 10 days resulting in delays for \$90B worth of cargo⁵, including a loss of \$1.5 billion from agricultural exports⁶.

To facilitate coordination between the interlocking industries along the supply chain, GO-BIZ launched the California Supply Chain Success Initiative to coordinate

¹ <https://business.ca.gov/advantages/logistics-and-infrastructure/>

² <https://www.census.gov/library/stories/2021/02/what-is-in-that-truck-i-just-passed-on-the-highway.html>

³ [https://www.reuters.com/world/us/record-60-cargo-ships-wait-unload-busiest-us-port-complex-2021-09-15/..](https://www.reuters.com/world/us/record-60-cargo-ships-wait-unload-busiest-us-port-complex-2021-09-15/)

⁴ <https://www.wsj.com/articles/cargo-delays-are-getting-worse-but-california-ports-still-rest-on-weekends-11632648602>

⁵ <https://www.michiganfarmnews.com/west-coast-seaport-congestion-a-1-5-billion-hit-on-ag-exports>

⁶ <https://www.russell.co.uk/ProductStories/1672/long-beach-and-los-angeles-port-delays-may-disrupt-us-holiday-season>

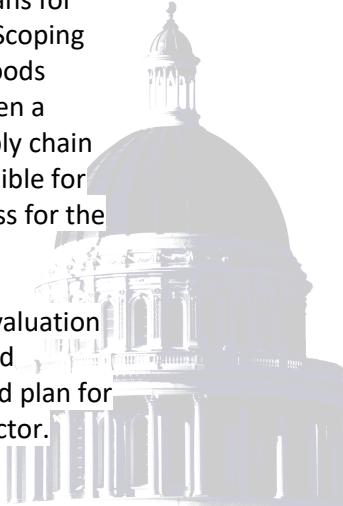
with local, state, and federal stakeholders on improving data sharing throughout the supply chain and shifting the supply chain to 24/7 operations; however, this initiative was a temporary measure to support the freight sector in its initial response to the supply chain crisis and is not an ongoing initiative.

SOLUTION

In order to better facilitate coordination across the supply chain, California needs a centralized state entity that will identify and set clear goals to promote economic competitiveness and a better understanding on how freight is effected by the economy, global and domestic competition, workforce performance, mobility issues and state regulations.

In addition, the State needs to plan for the economic resiliency of the freight sector, similar to the plans for infrastructure (CMFP) and Sustainability in the Scoping Plan. While Go-BIZ has a Deputy Director for Goods Movement and Sustainable Freight and has taken a leadership role in coordinating around the supply chain crisis, there is currently no single entity responsible for long-term planning of economic competitiveness for the freight sector at a State level.

SB 1104 will address this current gap in State evaluation and planning by creating an Office of Freight and requiring the Office to create an assessment and plan for the economic competitiveness of the freight sector.



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