

S222472

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IN THE SUPREME COURT OF CALIFORNIA

Frank A. McGuire Clerk

Friends of the Eel River and Californians for Alternatives to Toxics, Deputy

Plaintiffs and Appellants,

v.

North Coast Railroad Authority and
Board of Directors of North Coast Railroad Authority,

Defendants and Respondents,

and,

Northwestern Pacific Railroad Company,

Real Party in Interest and Respondent.

After a Decision by the Court of Appeal,
Fifth Appellate District, Division One
Case Nos. A139222, A139235

Appeal from the Superior Court of California, County of Marin
Case No. CIV11-3605, CIV11-03591
Honorable Roy Chernus, Judge

**APPLICATION OF THE SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT AND BAY AREA AIR QUALITY
MANAGEMENT DISTRICT FOR LEAVE TO FILE
BRIEF OF AMICI CURIAE IN SUPPORT OF APPELLANT
FRIENDS OF EEL RIVER, ET AL.
AND [PROPOSED] BRIEF OF AMICI CURIAE**

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**TO THE HONORABLE CHIEF JUSTICE AND JUSTICES OF THE
SUPREME COURT:**

APPLICATION FOR LEAVE TO FILE *AMICI CURIAE* BRIEF

Pursuant to Rule 8.520(f) of the California Rules of Court, the South Coast Air Quality Management District (SCAQMD) and Bay Area Air Quality Management District (BAAQMD) respectfully requests leave to file the attached *amici curiae* brief in support of Appellants Friends of the Eel River and Californians for Alternatives to Toxics.

HOW THIS BRIEF WILL ASSIST THE COURT

SCAQMD's proposed *amicus* brief will assist the Court by discussing how the California Environmental Quality Act (CEQA) as well as actions taken under the market participant doctrine have helped reduce air pollution in the past and are important to the State's efforts to achieve and maintain federal ambient air quality standards in the future. Since the decision below casts doubt on the principle that a railroad's voluntary actions are not preempted under the Interstate Commerce Commission Termination Act (ICCTA), the brief will show how such commitments have been important to reducing air pollution in the past and should be upheld. Finally, the brief will highlight the importance of third-party enforcement of actions taken under the market participant doctrine, especially in cases where a government agency attempts to abrogate its commitments made as a condition of receiving state funding or approvals.

STATEMENT OF INTEREST OF *AMICI CURIAE*

The SCAQMD is the regional agency primarily responsible for air pollution control in the South Coast Air Basin, which consists of all of Orange County and the non-desert portions of Los Angeles, Riverside, and San Bernardino Counties. (Health & Saf. Code § 40410; Cal. Code Regs. tit. 17, § 60104; 40 C.F.R. § 81.305.) It is home to about 16 million people,

nearly half of the population of California, and has a wide variety of passenger and freight rail activities occurring within its borders. (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan> (follow “Chapter 1” hyperlink, p. 1-5).) As the regional air pollution control agency, SCAQMD is acutely aware of the pollution emissions resulting from rail operations and their effects on human health.

The Bay Area Air Quality Management District, established by statute in 1955, was the first regional air pollution control agency and is currently responsible for managing air pollution in the San Francisco Bay Area, with a jurisdiction covering all of San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Napa and Marin Counties, and portions of Sonoma and Solano Counties. (Health & Saf. Code §§ 40200, et seq.) The San Francisco Bay Area has a population of more than 7.5 million people and also has a wide variety of passenger and freight rail operations.

Simply put, rail operations can create significant cancer risks to surrounding communities due to their emissions of diesel particulates, a toxic air contaminant under California’s program for regulation of toxic air contaminants. (Health & Saf. Code §§ 39650 et seq.) Also, locomotives emit large quantities of nitrogen oxides (NO_x), which react in the atmosphere to form both particulate matter and ozone. These are pollutants regulated under the federal Clean Air Act. The South Coast Air Basin has not yet attained all applicable national ambient air quality standards for these air pollutants, and so needs all feasible emission reductions from their precursors, such as NO_x. Finally, large railyards emit or contribute to the local formation of large quantities of a third pollutant regulated under the Clean Air Act, nitrogen dioxide or NO². In some cases, the railyard emissions alone are sufficient to create a localized exceedance of the

national ambient air quality standards for NO², thus posing a health risk to local residents.

Based on the foregoing, the SCAQMD and BAAQMD have a strong interest in upholding the use of the California Environmental Quality Act to reduce or mitigate adverse air quality and health effects resulting from rail operations where such action is not preempted by ICCTA, such as where the market participant doctrine applies. California should be allowed to condition its funding and approval for public entities to enter the market for providing rail operations in compliance with CEQA or other environmental requirements.

CERTIFICATE REGARDING AUTHORSHIP AND FUNDING

No party or counsel in the pending case authored the proposed *s curiae* brief in whole or in part, or made any monetary contribution intended to fund the preparation or submission of the brief. No person other than the proposed *Amici Curiae* made any monetary contribution intended to fund the preparation or submission of this brief.

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Respectfully submitted,

DATED: May 28, 2015

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TABLE OF CONTENTS

BRIEF OF <i>AMICI CURIAE</i>	1
STATEMENT OF FACTS	1
A. Air Quality Regulatory Background.....	1
B. Air Pollution Impacts of Rail Operations	3
SUMMARY OF ARGUMENT	6
ARGUMENT	7
I. ICCTA DOES NOT PREEMPT ACTIONS TAKEN BY A STATE OR LOCAL AGENCY AS A MARKET PARTICIPANT.....	7
A. Introduction.....	7
B. A Political Subdivision Cannot Avoid Obligations Imposed by State Law by Subcontracting with a Private Entity	8
C. A State May Direct the Activities of Its Political Subdivisions Acting as Market Participants	9
D. ICCTA Preempts Only State Regulation, Not Proprietary Activity	11
II. THIRD-PARTY ENFORCEMENT OF MARKET PARTICIPANT REQUIREMENTS DOES NOT DEFEAT THE EXCEPTION FROM PREEMPTION	13
III. CEQA IS ROUTINELY USED BY AGENCIES TO APPROVE BETTER RAIL PROJECTS.....	16
IV. DECISIONS OF STATE AND LOCAL GOVERNMENTS ACTING AS MARKET PARTICIPANTS AND VOLUNTARY AGREEMENTS ARE VITAL TO ATTAINING CLEAN AIR.....	18
A. The SCAQMD Fleet Rules: Directing Political Subdivisions in Purchasing or Contracting for Cleaner Vehicles	18
B. The Ports' Clean Air Action Plan: Proprietary Rights of Governmental Entities Acting as Landlords	19
C. Incentive Programs: Conditioning the Receipt of State Moneys on Compliance with Environmental Conditions	25
D. The Freight Railroads' MOAs with The California Air Resources Board: Voluntary Agreements	25
CONCLUSION	29

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State Cases

<i>California Teachers Association v. Governing Board</i> (1988) 161 Cal.App.3d 393	15
<i>Fireman’s Fund In. Co. v. Maryland Casualty Co.</i> (1994) 21 Cal.App.4th 1586	12
<i>Friends of Eel River v. North Coast Railroad Authority</i> , (2014) 178 Cal.Rptr.3d 752	14, 15
<i>Service Employees Inter. Union, Local 99 v. Options-A Child Care and Human Services Agency</i> (2011) 200 Cal.App.4th 869	14, 27
<i>Shaw v. Regents of University of California</i> (1997) 58 Cal.App.4th 44, 52	14, 15
<i>Town of Atherton v. California High Speed Rail Authority</i> (2014) 228 Cal.App.4th 314.....	11, 12, 13, 14
<i>Wenzler v. Municipal Court</i> (1965) 235 Cal.App.2d 128	15

Federal Cases

<i>American Trucking Associations v. City of Los Angeles</i> (2013) 133 S.Ct. 2096.....	23
<i>Building Trades v. Associated Bldrs.</i> (1993) 507 U.S. 218.....	12, 13
<i>Engine Manufacturers Assn. v. South Coast Air Quality Management Dist.</i> (9th Cir. 2007) 498 F.3d 1031.....	9, 12, 18
<i>Hughes v. Alexandria Scrap Corp.</i> (1976) 426 U.S. 794.....	9, 18-19
<i>King County et al. v. Surface Transportation Board</i> , 9 th Cir. No. 15-70386,	10

<i>PCS Phosphate Co. v. Norfolk Southern Corp.</i> (4th Cir. 2009) 559 F.3d 212.....	11, 12, 14, 26
<i>Pejepscot Indus. Park v. Maine Cent. R. Co.</i> (D. Maine 2003) 297 F.Supp.2d 326	26
<i>Santa Monica Airport Assn. v. City of Santa Monica</i> (9th Cir. 1981) 659 F.2d 100.....	24
<i>Smith Setzer & Sons, Inc. v. South Carolina Procurement Review Panel</i> , (4th Cir. 1994) 20 F.3d 1311.....	10
<i>Sprint Spectrum L.P. v. Mills</i> , (2d Cir. 2002) 283 F.3d 404.....	24
<i>Tocher v. City of Santa Ana</i> (9th Cir. 2000) 219 F.3d 1040.....	24
<i>Trojan Technologies, Inc. v. Pennsylvania</i> (3d. Cir. 1990) 916 F.2d. 903.....	11
<u>Surface Transportation Board (STB) Decisions</u>	
<i>Cal. High-Speed Rail Authority—Petition for Declaratory Order</i> (Dec. 12, 2014) STB Finance Docket No. 35861, 2014 WL 7149612	10
<i>Joint Petition for Declaratory Order—Boston and Maine Corp. and Town of Ayer</i> , STB Finance Docket 33971 (served May 1, 2001); 2001 WL 458685	26
<i>N. San Diego County Transit Dev. Bd.—Petition for Declaratory Order</i> (August 21, 2002) STB Finance Docket No. 34111, 2002 WL 1924265	9-10
<i>Township of Woodbridge, N.J. et al. v. Consolidated Rail Corp.</i> STB Docket No. 42053 (served Dec. 1, 2000), 2000 WL 1771044, clarified March 31, 2001, 2001 WL 283507.....	26

California Statutes

Health & Saf. Code § 40001 3
Health & Saf. Code § 40410 1
Health & Saf. Code §§ 40200, et seq. 1
Health & Saf. Code §§ 40460, et seq. 3

California Regulations

17 Cal. Code Reg. 60104 1

Federal Statutes

42 U.S.C. § 7401; CAA § 101 2
42 U.S.C. § 7408; CAA § 108 2
42 U.S.C. § 7409; CAA § 109 2
42 U.S.C. § 7410; CAA § 110 2
42 U.S.C. § 7521; CAA § 202 2
42 U.S.C. § 7543; CAA § 209 2
42 U.S.C. § 7547; CAA § 213 2
49 U.S.C. § 10501 11

Federal Register

73 Fed.Reg. 16,436 (Mar. 27, 2008) 23
73 Fed.Reg. 37,096 (Jun. 30, 2008) 4
78 Fed.Reg. 3086 (Jan. 15, 2013) 23
79 Fed.Reg. 75,233 (Dec. 17, 2014) 23

Rules

SCAQMD Rule 1402 4

Other

Alameda Corridor Environmental Impact Report, January 1993 17
California Air Resources Board, Agenda Item 98-8-1,
Resolution 98-35, August 27, 1998 3
CARB, *1998 Locomotive NO_x Fleet Average Emissions Agreement
in the South Coast Air Basin* 27
CARB, Health Risk Assessment for UP Intermodal Container
Transfer Facility (ICTF) and Dolores Railyards, Stationary Source
Division, April 22, 2008 4
CARB, *Statewide Railyard Agreement* 28

Other (cont'd)

Elliot Henry, *Engine Manufacturer's Association v. South Coast Air Quality Management District: Using Market Participation to Achieve Environmental Goals*, 35 Ecology L. Q.651, 653 (2008)..... 19

Harbor Community Benefits Foundation.....21

ICTF Environmental Impact Rep, Final Oct. 1982..... 17

Metro Extension of the 91 Resolution No. 11-013 18

Metro Extension of the 91, Project Benefits 18

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Port of Long Beach, “Final 2010 San Pedro Bay Ports Clean Air Action Plan Update, Implementation and Strategies”22

Port of Los Angeles August 14, 2013 amendment to Clean Truck Program Concession Agreement 23

Port of Los Angeles, Clean Truck Program22, 23

Port of Los Angeles, Goods Movement Emission Reduction Funding Program (Proposition 1B)25

Railyard Health Risk Assessment “HRA for the BNSF San Bernardino Railyard”4

SCAQMD, Draft Final MATES IV Report, April 1, 2015, 3-4

SCAQMD, *AQMD's Incentive Programs*25

SCAQMD, Final 2012 AQMP (Feb. 2013) 1, 5

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“AQMD Chairman Announces Clean Port Initiative20

SCIG Recirculated Draft EIR, Air Quality, September 20126

The Southern California Transportatoin Coalition
“Southern California The Hear of America’s Freight Movement System”20

U.S. Census Bureau, U.S. and World Population Clock 20-21

U.S. EPA, National Ambient Air Quality Standards (NAAQS).....2, 5

U.S. EPA, Particulate Matter (PM),.....2

BRIEF OF AMICI CURIAE

STATEMENT OF FACTS

A. Air Quality Regulatory Background

The South Coast Air Quality Management District (SCAQMD) is the regional air pollution agency for the South Coast Air Basin, which consists of all of Orange County and the non-desert portions of Los Angeles, Riverside, and San Bernardino Counties. (Health & Saf. Code § 40410, 17 Cal. Code Reg. § 60104.) The SCAQMD also includes the Coachella Valley in Riverside County (Palm Springs area to the Salton Sea). (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan>, (follow “chapter 7” hyperlink, pp. 7-1, 7-3).) The SCAQMD's jurisdiction includes over 16 million residents, and it has the worst or nearly the worst air pollution levels in the country for ozone and fine particulate matter. (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan>, (follow “Executive Summary” hyperlink, p. ES-1) (last visited May 12, 2015).)

The Bay Area Air Quality Management District, established by statute in 1955, was the first regional air pollution control agency and is currently responsible for managing air pollution in the San Francisco Bay Area, with a jurisdiction covering all of San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Napa and Marin Counties, and portions of Sonoma and Solano Counties. (Health & Saf. Code §§ 40200, et seq.) The San Francisco Bay Area has a population of more than 7.5 million people and also has a wide variety of passenger and freight rail operations.

The federal Clean Air Act (CAA) requires the United States Environmental Protection Agency (EPA) to identify pollutants that are

widely distributed and pose a threat to human health, developing a so-called “criteria” document. (42 U.S.C. § 7408; CAA § 108.) These pollutants are frequently called “criteria pollutants.” EPA must then establish “national ambient air quality standards” at levels “requisite to protect public health,” allowing “an adequate margin of safety.” (42 U.S.C. § 7409; CAA § 109.) EPA has set standards for six identified pollutants: ozone, nitrogen dioxide, sulfur dioxide, carbon monoxide, particulate matter (PM), and lead. (U.S. EPA, National Ambient Air Quality Standards (NAAQS), <http://www.epa.gov/air/criteria.html>, (last updated Oct. 21, 2014).)¹

Under the Clean Air Act, EPA sets emission standards for motor vehicles and “nonroad engines” (mobile farm and construction equipment, marine vessels, locomotives, aircraft, etc.). (42 U.S.C. §§ 7521, 7547; CAA §§ 202, 213.) California is the only state allowed to establish emission standards for motor vehicles and most nonroad sources; however, it may only do so with EPA's approval. (42 U.S.C. §§ 7543(b), 7543(e); CAA §§ 209(b), 209(c).) Sources such as manufacturing facilities, power plants and refineries that are not mobile are often referred to as “stationary sources.” These sources are primarily regulated by state and local agencies, like SCAQMD. The Clean Air Act charges state and local agencies with the primary responsibility to attain the national ambient air quality standards. (42 U.S.C. § 7401(a)(3); CAA § 101(a)(3).) Each state must adopt and implement a plan including enforceable measures to achieve and maintain the national ambient air quality standards. (42 U.S.C. § 7410; CAA § 110.)

¹ Particulate matter (PM) is further divided into two categories: fine particulate or PM_{2.5} (particles with a diameter of less than or equal to 2.5 microns) and coarse particulate (PM₁₀) (particles with a diameter of 10 microns or less). (U.S. EPA, Particulate Matter (PM), <http://www.epa.gov/airquality/particulatepollution/>, (last visited May 14, 2015).)

The SCAQMD and CARB jointly prepare the portions of the state implementation plan for the South Coast Air Basin and submit the plan for approval by EPA. (Health & Saf. Code §§ 40460, et seq.) The California Environmental Quality Act (CEQA) is also an important tool for reducing air pollution because a large project attracting many mobile sources of emissions may create significant adverse air quality impacts due to the sheer scale of the project, even though each individual mobile source complies with emission limits applicable when it was manufactured. The ability to require feasible mitigation measures under CEQA is vital to reduce these adverse impacts.

Because the SCAQMD is charged with achieving the health-based national ambient air quality standards, (Health & Saf. Code § 40001), it supports efforts by affected entities to reduce air pollution including through market participation and by voluntary agreements, which apply CEQA or implement other pollution-reducing measures.

B. Air Pollution Impacts of Rail Operations

Rail operations create large amounts of diesel particulate pollution and nitrogen oxides, both of which are especially concentrated in the area surrounding large railyards. The California Air Resources Board (CARB) has declared diesel particulate to be a toxic air contaminant based on causing cancer. (California Air Resources Board, Agenda Item 98-8-1, August 27, 1998, www.arb.ca.gov/regact/diesltac/res98-35.pdf , Resolution 98-35, (last visited May 15, 2015).) The SCAQMD has discovered through its “Multiple Air Toxics Studies” (MATES) that despite significant emission reductions in recent years, diesel emissions still contribute about 70% of the total cancer risk in the region resulting from toxic air contaminants. (SCAQMD, Draft Final MATES IV Report, April 1, 2015, available at <http://www.aqmd.gov/home/library/air-quality-data->

[studies/health-studies/mates-iv](#), (follow “Draft Multiple Air Toxics Exposure Study IV,” p. ES-2).)

Locomotives, along with other sources associated with railyards, emit large quantities of diesel particulates and can present a threat to public health. For example, CARB conducted health risk assessments based on year 2005 diesel emissions from a number of railyards throughout the state. These health risk assessments considered emissions from locomotives, trucks and cargo – handling equipment associated with the railyards. The railyard posing the highest cancer risk was the San Bernardino yard. The cancer risk from that railyard to the maximally exposed individual was about 2500 in a million. (Railyard Health Risk Assessment, www.arb.ca.gov/railyard/hra/hra.htm/, click on “HRA for the BNSF San Bernardino Railyard, p. 13 (last reviewed Apr. 8, 2013).) This cancer risk is *100 times* the level allowed for stationary sources (such as refineries, power plants, chemical factories, and chrome platers). (See SCAQMD Rule 1402(c)(2); 1402(e)(1) (limiting stationary sources to 25 in a million) <http://bit.ly/1A4emo9>² (last visited May 13, 2015) .) Other railyards were also found to have high levels of risk (up to 1200 in a million). (CARB, Health Risk Assessment for UP Intermodal Container Transfer Facility (ICTF) and Dolores Railyards, Stationary Source Division, April 22, 2008, p. 14 http://www.arb.ca.gov/railyard/hra/up_ictf_hra.pdf, (last visited May 14, 2015).)

Moreover, locomotives emit nitrogen oxides, which react in the atmosphere to form ozone and particulate matter. (73 Fed.Reg. 37,096, 37,099 (Jun. 30, 2008.) EPA has set health-based national ambient air

² (Full URL) <http://www.aqmd.gov/docs/default-source/rule-book/reg-xiv/rule-1402.pdf?sfvrsn=4>

quality standards under the federal Clean Air Act for both of these pollutants. (U.S. EPA, National Ambient Air Quality Standards (NAAQS), <http://www.epa.gov/air/criteria.html>, (last updated Oct. 21, 2014).) The South Coast Air Basin is currently in nonattainment for both of these pollutants. (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan>, (follow “Executive Summary” hyperlink, pp. ES-4, ES-5).) Locomotives will need to reduce pollution in order for SCAQMD to achieve these standards. Locomotives will be the fifth largest category of emissions of nitrogen oxides (NO_x) in the year 2023, if no further regulations are adopted. At that time, locomotives will contribute almost as much NO_x pollution as all of the highest-emitting stationary sources in the Basin (referred to as “RECLAIM sources.”) (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan>, (follow “Chapter 3” hyperlink, 3-38, figure 3-10A).) There are more than 250 RECLAIM sources. *Id.* This is important because the year 2023 is the deadline for attaining the 1997 national ambient air quality standard for ozone, and the SCAQMD must reduce NO_x by 65% beyond 2023 baseline levels to attain the standard. (SCAQMD, Final 2012 AQMP (Feb. 2013), available at <http://www.aqmd.gov/home/library/clean-air-plans/air-quality-mgt-plan/final-2012-air-quality-management-plan>, (follow “Executive Summary, p. ES-5).)

In addition, large railyards can create “hot spots” of nitrogen dioxide (NO²), a third pollutant for which there is a health-based national ambient air quality standard. (U.S. EPA, National Ambient Air Quality Standards (NAAQS), <http://www.epa.gov/air/criteria.html>, (last updated Oct. 21, 2014).) For example, the environmental impact report for the Southern

California International Gateway, planned a new railyard recently approved by the Port of Los Angeles, demonstrates that emissions from the railyard alone will exceed the new national ambient air quality standard for NO² by as much as *five times*. (SCIG Recirculated Draft EIR, Air Quality, September 2012, Chapter 3.2 Table 3.2-17, p 3.2-52, 53 (1,171 ÷189) <http://bit-.ly/1RL1Srf>³ (last visited May 14, 2015).) The SCAQMD has a strong interest in upholding the use of the California Environmental Quality Act to reduce or mitigate adverse air quality and health effects resulting from rail operations where such action is not preempted by the Interstate Commerce Commission Act (ICCTA), such as where the market participant doctrine applies.

SUMMARY OF ARGUMENT

This case presents the fundamental question of whether a public agency may hide behind federal preemption to repudiate its commitment to the state to comply with CEQA as a condition for receiving state funds and for entering into the market for providing rail services. The answer is no, because preemption under ICCTA applies only to regulation, not proprietary action. Nor may a public agency avoid those obligations by contracting with a private rail operator, since ICCTA does not preempt a railroad's voluntary agreements. Third party enforcement does not render these conditions and agreements "regulatory"; and must be allowed where the State has not itself taken action to enforce these obligations. Finally, proprietary actions and voluntary agreements are important in the effort to clean the air, so the Court should be aware of possible adverse effects of upholding the decision of the Court of Appeal.

³ (Full URL)

http://www.portoflosangeles.org/EIR/SCIG/RDEIR/03.02_SCIG_RDEIR_AirQuality.pdf

ARGUMENT

I. ICCTA DOES NOT PREEMPT ACTIONS TAKEN BY A STATE OR LOCAL AGENCY AS A MARKET PARTICIPANT

A. Introduction

The trial court and Court of Appeal decisions in this case would allow the North Coast Railroad Authority (NCRA) and its lessee, the Northwestern Pacific Railroad Company (NWPCo), to repudiate their obligations undertaken as a condition of obtaining substantial state funding and in violation of the State's directive to its own political subdivision, NCRA, as well as the terms of NWPCo's agreement with NCRA. This "bait and switch" tactic betrays the public, who were entitled to have their money spent only on projects that eliminate or mitigate any environmental harms caused by the project. It threatens to encourage other entities that have undertaken similar obligations to repudiate their market participant role and abandon environmental protections.

While the respondents NCRA and NWPCo (sometimes collectively "NCRA") argue that there never was any obligation to comply with CEQA, Appellants Friends of the Eel River and Californians for Alternatives to Toxics (collectively, "Friends") demonstrate that NCRA agreed to comply with CEQA in return for \$60 million in state money. (See e.g., AR:9:4638.) Moreover, NWPCo freely agreed to CEQA compliance as a condition precedent to operations. (AR:13:6731.) And its operation was over a publicly-owned rail line. Therefore, CEQA compliance was imposed as a part of NCRA's own decision-making process as a participant in the market for providing rail services.

This case presents three reasons why the market participant doctrine should apply to avoid preemption. Each reason is independently sufficient: (1) the case involves conditions on participation by a state and its legislatively-created state agency in the market for providing rail

transportation, (2) the particular project at issue received \$60 million of state funds that were conditioned on compliance with CEQA, and (3) the project involved leasing state-owned property, conditioned on compliance with CEQA.

Besides contending that the NCRA was not acting as a market participant, Respondents make three additional arguments: First, they contend that this case involves California's ability to regulate the rail operations of a private entity, NWPCo, under CEQA. (Ans. Br. p. 31.) Second, they argue that even if this case involved the State's imposition of conditions on its political subdivision, NCRA, ICCTA would preempt any such activity. (*Id.*) Finally, they argue that the market participant doctrine can never apply in the context of ICCTA—arguing that “ICCTA expressly preempts unreasonable interference with rail operations, whether by regulation or proprietary action.” (Ans. Br. p. 34.) The following sections of this brief will address these arguments.

B. A Political Subdivision Cannot Avoid Obligations Imposed by State Law by Subcontracting with a Private Entity

In arguing that this case involves regulation of a private entity, Respondents ignore the fact that NWPCo is subject to CEQA *not* because it is seeking an approval from a California local government but because it is a subcontractor and lessee of NCRA, a political subdivision of the State that has been made subject to CEQA as a condition of receiving substantial sums of State money and of entering the market for providing rail services. As such, much of NCRA's argument that it is a private entity is irrelevant. Whether CEQA is preempted by ICCTA when it is being imposed by a State or local agency in a purely regulatory capacity is irrelevant here.

This Court should not hold that NCRA can escape its CEQA obligations merely by subcontracting with a private entity. To do so would

make a mockery of the State’s legitimate control over its own subdivisions and over how it spends its money. Both of these principles have been fully acknowledged by the courts. For example, under the market participant doctrine, a State can validly direct its subdivisions to spend public money only on cleaner-fueled vehicles. (*Engine Manufacturers Assn. v. South Coast Air Quality Management Dist.* (9th Cir. 2007) 498 F.3d 1031, 1043.) And a State can spend its money to achieve environmental goals. (*Hughes v. Alexandria Scrap Corp.* (1976) 426 U.S. 794.)

If a political subdivision could escape such obligations merely by subcontracting, then a city could avoid complying with the fleet rules upheld in *Engine Manufacturers* merely by hiring a contractor to operate its fleet. The Ninth Circuit held to the contrary, stating that “the Fleet Rule provisions governing purchasing, procuring, leasing, *and contracting* for the use of vehicles by state and local government entities fall squarely within...proprietary action.” (Emphasis added.) (*Engine Mfrs. Assn.*, 498 F.3d 1031, 1045.)

Under Respondents’ theory, a public agency could circumvent every legitimate condition imposed by the State in return for accepting multiple millions of dollars, merely by contracting with a private operator. This Court should not allow such a result.

C. A State May Direct the Activities of Its Political Subdivisions Acting as Market Participants

Respondents also argue that whether a rail carrier is a subdivision of state government is irrelevant to preemption analysis because the jurisdiction of the Surface Transportation Board (STB) over activities involved in this case is exclusive. (Ans. Br. P. 25.) Respondents rely on *N. San Diego County Transit Dev. Bd.—Petition for Declaratory Order*

(August 21, 2002) STB Finance Docket No. 34111, 2002 WL 1924265 at *6, (“*North San Diego County Transit*”).⁴

This case is easily distinguishable. No party ever argued that the North San Diego County Transit District was acting as a market participant and had agreed to comply with CEQA as part of its *own* decision-making process in return for substantial state funding—as is the case here. Instead, the City of Encinitas—a local government authority—was seeking to apply CEQA and permitting requirements to a rail carrier’s construction of a portion of a line. No one argued that the fact that this rail carrier was a political subdivision of the State made any difference to the case. And no one argued that the City of Encinitas was acting as a market participant rather than as a regulator. The STB had no occasion to consider the scope of the market participant doctrine as it applies to ICCTA.

In any event, it has been held that a state may direct the activities of its political subdivisions as market participants, despite the alleged “regulatory effect” on local governments. (*Smith Setzer & Sons, Inc. v. South Carolina Procurement Review Panel*, (4th Cir. 1994) 20 F.3d 1311, 1319.) There the court held:

“State rules that ‘regulate’ the market actions of a state’s constituent agencies, departments and other state-level organizational manifestations are conceded not to be considered ‘market regulating’ for negative Commerce Clause purposes. . . . This having been stated, we cannot discern a valid distinction to explain why state regulations that bind local governmental units should not be considered equally as innocuous, constitutionally speaking, as state regulations that bind state-wide governmental units.”

⁴ Respondents also cite *Cal. High-Speed Rail Authority—Petition for Declaratory Order* (Dec. 12, 2014) STB Finance Docket No. 35861, 2014 WL 7149612 (HSRA), which is currently on appeal, *King County et al. v. Surface Transportation Board*, 9th Cir. No. 15-70386, and therefore should not be given deference.

(*Smith Setzer, supra*, 20 F.3d at 1319. *See also Trojan Technologies, Inc. v. Pennsylvania* (3d. Cir. 1990) 916 F.2d. 903, 911, *cert. denied* 501 U.S. 1212 (1991).) Therefore, the State can direct the activities of its political subdivisions when acting as market participants.

In this case, the State required NCRA to comply with CEQA as part of its own decision-making process, as a condition of receiving state funding. Therefore, the *North San Diego County Transit* case is simply irrelevant to the facts here.

D. ICCTA Preempts Only State Regulation, Not Proprietary Activity

Respondents argue that ICCTA preempts both regulation and proprietary activity. (Ans. Br. p. 34.) But they ignore key language in ICCTA, which preempts state “*regulation of rail transportation.*” (Emphasis added) (49 U.S.C. § 10501(b).) The Fourth Circuit has clearly held that ICCTA expressly preempts only “regulation,” not, for example, contractual actions. (*PCS Phosphate Co. v. Norfolk Southern Corp.* (4th Cir. 2009) 559 F.3d. 212, 218-219 (citing numerous cases discussing “regulation” language of statute).)

Since proprietary action is not “regulation,” it is not preempted by ICCTA. The Court of Appeal properly held as much in *Town of Atherton v. California High Speed Rail Authority* (2014) 228 Cal.App.4th 314. First, the court noted that ICCTA does not even preempt all types of regulations, only those which unreasonably interfere with interstate commerce. (*Town of Atherton*, 228 Cal.App.4th 314, 330.) The court then observed that when a state is acting as a market participant, it is not acting as a regulator. (*Town of Atherton*, 228 Cal.App.4th 314, 334.) Citing *Engine Manufacturers*, the court concluded that a state’s interest in efficient procurement may include serving purposes other than saving money, such as environmental goals. (*Town of Atherton*, 228 Cal.App.4th 314, 335-

336.) The court concluded that ICCTA did not preempt a state's actions as a market participant.

The test for whether a statute prohibits an exception for proprietary action was established by the U.S. Supreme Court: "In the absence of any express or implied indication by Congress that a State may not manage its own property when it pursues its purely proprietary interests, and where analogous private conduct would be permitted, this Court will not infer such a restriction." (*Building Trades v. Associated Bldrs.* (1993) 507 U.S. 218, 231-232.) The court in *Engine Manufacturers* concluded that no part of the Clean Air Act contained an "express or implied" Congressional intent to preclude proprietary action. (*Engine Manufacturers*, 498 F.3d 1031, 1044.)⁵

The only existing authority holds that ICCTA expressly preempts only *regulatory* action. (*PCS Phosphates*, 559 F.3d 212, 218-219; *Town of Atherton*, 228 Cal.App.4th 314, 330.) Respondents do not argue that ICCTA "impliedly" shows Congressional intent to preempt proprietary action, but rather state that ICCTA "expressly" preempts "unreasonable interference" with rail transportation, even if the action is proprietary. (Ans. Br. p. 34.) But the brief fails to cite any authority for this proposition; thus it is waived. (*Fireman's Fund In. Co. v. Maryland Casualty Co.* (1994) 21 Cal.App.4th 1586, 1593 n.5.)

Finally, Respondents argue that CEQA is regulatory, not proprietary. (Ans. Br. p. 34.) They claim that other cases are distinguishable because "in those cases, the states were acting as other private actors in the same

⁵ Respondents argue that *Engine Manufacturers* is not precedent because there the petitioners conceded that the market participant doctrine could apply to the Clean Air Act. (Ans. Br. p. 37.) However, the court did conduct a full analysis because some amici challenged that conclusion. (*Engine Manufacturers*, 498 F.3d. 1031, 1044.)

marketplace were allowed to act. Private actors in the rail marketplace cannot subject rail operations to CEQA requirements.” (Ans. Br. p. 36.) This argument entirely misses the point. Petitioners do not argue that a private person could compel a rail operator to comply with CEQA. Instead, Petitioners contend that the state may require its political subdivision to comply with CEQA as a condition of operating and leasing the line, and of receiving state funding, as a part of the political subdivision’s *own* decision-making process. Respondents wholly fail to rebut the argument that a private rail operator could consider environmental factors before determining whether to operate a line. Therefore, under *Building Trades* (507 U.S. 218, 231-232), a state has the same privilege—and may require its political subdivisions to also consider environmental factors. Respondents’ concern about third-party enforcement is a separate issue, discussed below.

II. THIRD-PARTY ENFORCEMENT OF MARKET PARTICIPANT REQUIREMENTS DOES NOT DEFEAT THE EXCEPTION FROM PREEMPTION

The position of Respondents and the court below is that the market participant doctrine may be used only defensively by the public agency whose action is argued to be preempted. This position unconscionably allows a renegade political subdivision of the state to abandon its obligations voluntarily agreed to or imposed as a condition of receiving state funds. In this case, for many years NCRA agreed to and did endeavor to comply with CEQA, only later changing its position.

In similar circumstances, the Court of Appeal in *Town of Atherton*, (228 Cal.App.4th 314, 328-329), came to a different—and correct—conclusion than the court below here on very similar facts. In *Town of Atherton*, the issue of ICCTA preemption was raised for the first time after briefing on appeal, following the STB’s assumption of jurisdiction over the

High-Speed Rail Project. Third-party enforcement was essential for the High-Speed Rail Project because the Attorney General, representing the High Speed Rail Authority, decided not to “invoke” the market participant doctrine. (*Town of Atherton*, 228 Cal.App.4th 314, 339.) Thus, the public agency decided to ignore its obligations under Proposition 1A. (*Id.*) In the present case, NCRA also changed its position late in the game. Because NCRA no longer honors its obligations, private enforcement is necessary. The court below improperly relied on two theories to reject third-party enforcement in this case. The court did not disagree with Petitioners’ claim that they qualified as third-party beneficiaries who could enforce NCRA’s agreement under *Service Employees Inter. Union, Local 99 v. Options-A Child Care and Human Services Agency (SEIU)*, (2011) 200 Cal.App.4th 869. But the court cited *SEIU* for the proposition that although Petitioners there could bring a breach of contract claim, they could not sue directly under the Brown Act, because the Brown Act did not apply to that private entity. (*Friends of Eel River v. North Coast Railroad Authority*, (2014) 178 Cal.Rptr.3d 752, 772, *opinion superseded by grant of review.*) The court concluded that the present case was analogous, so that the contract did not confer a direct right to sue under CEQA because CEQA is preempted by federal law. (*Id.*)

However, the court neglected the *reason* the *SEIU* court held that the Brown Act did not apply. The *SEIU* court explained that the defendant was not a legislative body within the meaning of the Brown Act, and “an agreement cannot alter legislative intent or expand the scope of a statute.” (*SEIU*, 200 Cal.App.4th 869, 883.) In the present case, the literal language of CEQA *would* apply to the Respondents’ challenged actions, and an agreement *can* alter the applicability of federal preemption. (*PCS Phosphate Co. v. Norfolk Southern Corp.*, 559 F.3d 212.) Thus, the court improperly relied on *SEIU*.

Secondly, the court below relied on two cases which state that generally mandamus is not an appropriate remedy for enforcing a contractual obligation against a public entity. (*Friends of Eel River*, 178 Cal.Rptr.3d 752, 773, *opinion superseded by grant of review*, citing *Shaw v. Regents of University of California* (1997) 58 Cal.App.4th 44, 52, and *Wenzler v. Municipal Court* (1965) 235 Cal.App.2d 128, 132.) Neither case is on point. In *Shaw*, the defendant Regents argued that the plaintiff should have brought a writ of mandate to litigate his claims for royalties under an employment agreement with the University of California. The court rejected that claim, stating that the trial court had properly applied contract principles. (*Shaw*, 58 Cal.App.4th 44, 52.) In *Wenzler*, the court held that mandate was not a proper method of seeking recovery of money paid as a fine and items held as evidence in a criminal action because the plaintiff would have had to show some kind of mistake, rather than showing a violation of official duty as is involved in a writ of mandate. (*Wenzler*, 235 Cal. App. 2d 128, 133.) In contrast, in this case, in order to show that NCRA violated its agreements, Petitioners would need to show exactly the same thing as they needed to show under CEQA itself.

Instead, if indeed Petitioners were required to bring an action for breach of contract, the proper precedent is *California Teachers Association v. Governing Board* (1988) 161 Cal.App.3d 393, 399. In that case, despite stating that mandamus was not appropriate to enforce an agreement for arbitration, the court treated the petition as if it were one to compel arbitration under the proper statutory authority. (*Id.*) The Court in this case should construe the present petition as including an action for third-party beneficiary enforcement of an agreement, if that is deemed the appropriate remedy.

Finally, third-party enforcement of market participant decisions is important because of the risk that public agencies acting as market

participants or proprietors may require CEQA, or other environmental conditions, from their contractors and lessees, in order to placate the public, and allow their business interests to be pursued (e.g., accommodating growth). Later, they could repudiate their obligations during litigation. Or, contractors and lessees (who have agreed to CEQA compliance or other environmental conditions) may belatedly argue that such compliance is preempted. In such cases, the Court should allow third-party enforcement, otherwise the public entity and its contractors or lessees will be able to walk away from their agreements and obligations.

III. CEQA IS ROUTINELY USED BY AGENCIES TO APPROVE BETTER RAIL PROJECTS

CEQA review of rail projects has often occurred in California. Public entities have routinely relied on CEQA to approve rail projects that take into consideration their effects on the surrounding communities and reduce those impacts. This ultimately makes for better projects and does not undermine the purpose of ICCTA.

In 1993, the Alameda Corridor Transportation Authority prepared an EIR for the Alameda Corridor project, a 20-mile rail line streamlining the transport of goods from the Ports of Los Angeles and Long Beach to downtown Los Angeles. (Alameda Corridor Environmental Impact Report, January 1993, p. S-1, http://libraryarchives.metro.net/DPGTL/eirs/alameda_corridor/1993_eir.pdf (last visited May 26, 2015).) The corridor traversed numerous densely populated cities and the public entity was concerned about the corridor project's impacts on those communities. (*Id.* pp. S-1, S-2.) As a result, in approving the corridor project, the public entity imposed numerous useful mitigation measures that reduced and even eliminated entirely some otherwise significant impacts. Examples include requiring the proper abandonment of oil wells disturbed during construction to avoid the release

of hydrogen sulfide; the requirement to construct noise barriers to protect nearby residences from train noise; engineering and operational requirements to reduce vibration impacts; the reduction of many land use impacts associated with the taking of land through creative approaches such as requiring new buffer zones, relocation efforts, reconfiguration of existing land uses, and returning excess land to the local jurisdiction; and various traffic improvements to reduce transportation impacts, and other mitigation. (*Id.* pp. S-37, 40-41, 43-44, 48-49.) Through these mitigation measures, the public entity was able to balance its economic need to build a consolidated rail route from the Ports to downtown railyards with its desire to minimize harm to the existing residences, businesses and public infrastructure.

Even further back, the Ports of Long Beach and Los Angeles jointly prepared an EIR, in 1982, for the Intermodal Container Transfer Facility (ICTF) Project, a new 260-acre near-dock railyard to transport containers from the Ports. (ICTF Environmental Impact Rep, Final Oct. 1982, p. ii, http://www.ictf-jpa.org/document_library/environmental_impact_report/ICTF%20FEIR%201982.pdf (last visited May 26, 2015).)

The Ports required that impacts of the project be minimized through mitigation such as watering to control fugitive dust during construction; phasing of construction activities to reduce air quality impacts; storage of hazardous materials to avoid water quality impacts; construction of noise barriers and use of silencers and enclosures on noisy equipment; and even requiring reduced train speeds and modifying certain onsite operations to minimize noise, among other mitigation. (pgs. v-vii). These measures served to minimize the impacts of the rail yard on the adjacent community of West Long Beach.

In a more recent example, in 2011, the Riverside County Transportation Commission approved the Perris Valley Line project to

extend commuter rail service by 24 miles from downtown Riverside to the City of Perris, relying on an EIR. A multitude of mitigation measures were required that reduced significant impacts to aesthetics, biological resources, cultural resources, hazards and hazardous materials, noise and vibration, and traffic and transportation to levels below significance. (Metro Extension of the 91, Library and Links

<http://perrisvalleyline.info/document-library?id=38> (follow “Resolution No. 11-013” hyperlink, pp. 7, 46-78; last visited May 26, 2015).) As a result, the public entity was able to approve a project that allowed for greater public mobility, job creation and increased safety while protecting the environment. (Metro Extension of the 91, Project Benefits, <http://perrisvalleyline.info/project-benefits>, (last visited May 26, 2015).)

It is untenable that ICCTA would preempt a public entity from balancing competing legitimate state interests in improving the rail network with the need to protect its constituents from the environmental impacts of rail projects.

IV. DECISIONS OF STATE AND LOCAL GOVERNMENTS ACTING AS MARKET PARTICIPANTS AND VOLUNTARY AGREEMENTS ARE VITAL TO ATTAINING CLEAN AIR

The purpose of this section of the brief is to provide examples of the various ways that public entities have used market participant activities and voluntary agreements to achieve their business goals of sustainable development and to help attain clean air.

A. The SCAQMD Fleet Rules: Directing Political Subdivisions in Purchasing or Contracting for Cleaner Vehicles

The Ninth Circuit Court of Appeals and the U.S. Supreme Court have upheld the use of market participant powers to achieve environmental goals. (*Engine Mfrs. Assn. v. South Coast Air Quality Management Dist.* (9th Cir. 2007) 498 F.3d. 1031; *Hughes v. Alexandria Scrap Corp.* (1976)

426 U.S. 794.) The fleet rules upheld in *Engine Manufacturers* required governments and their contractors to use clean alternative fuel vehicles in lieu of diesel-fueled vehicles for sources such as street sweepers, garbage trucks, transit and school buses, and other government heavy-duty vehicles, where these vehicles were commercially available. (Elliot Henry, *Engine Manufacturer's Association v. South Coast Air Quality Management District: Using Market Participation to Achieve Environmental Goals*, 35 Ecology L. Q.651, 653 (2008), pp. 652, 655, available at:

<http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1884&context=elq>.) The fleet rules resulted in significant emission reductions. By

January 2004, almost nine thousand low-emission vehicles had been added to the various public fleets throughout the South Coast Air Basin, and the SCAQMD estimated that the rules would cause a yearly reduction of 4,870 tons of emissions each year starting in 2010. Assuming operations five days a week, this amounts to over 18 tons per day of emissions reductions. Moreover, the rules reduced diesel emissions, which the SCAQMD's studies had determined caused over 70% of the cancer risk from airborne toxics in the region. (*Henry, supra*, 35 Ecology L.Q. 652.) Reducing diesel emissions is particularly important for school buses and transit buses, which impact children and elderly passengers, and for garbage trucks and street sweepers, which operate in residential neighborhoods. Thus, it is important for states to retain the right to consider environmental goals in directing the market participation activities of their political subdivisions.

B. The Ports' Clean Air Action Plan: Proprietary Rights of Governmental Entities Acting as Landlords

It is also vital that public agencies retain their rights as landlords to exercise proprietary powers to further environmental goals, especially when achieving these goals is essential to achieving their business development goals.

The Ports of Los Angeles and Long Beach have adopted this approach. In 2005, the SCAQMD announced its “Clean Port Initiative,” driven by the fact that the ports of Los Angeles and Long Beach, collectively the largest port in the nation, include various (mostly mobile) sources that were responsible for 100 tons per day of nitrogen oxides (NO_x) which contributes to ozone and fine particulates. This is more than the NO_x emissions from 6 million cars in the region. (SCAQMD Press Release, Nov. 4, 2005: “AQMD Chairman Announces Clean Port Initiative,” <http://www.aqmd.gov/home/library/public-information/2005-news-archives/clean-port-initiative-announced>, (last visited May 14, 2015).) SCAQMD projected that NO_x emissions from port sources would increase by 40% by 2025 unless aggressive measures were taken. Moreover, the ports collectively were responsible for 25% of all the diesel emissions in the South Coast Air Basin, and nearby residents experienced among the highest levels of cancer risk from diesel emissions in the Basin. (*Id.*)

The two ports together support a large proportion of the nation’s international trade, far more than would correspond to the local population’s needs. The two ports support over 50% of all the containerized cargo imported into the United States. (The Southern California Transportation Coalition, “Southern California The Heart of America’s Freight Movement System” http://www.rctc.org/uploads/media_items/southern-california-the-heart-of-america-s-freight-movement-system.original.pdf (created Mar. 5, 2010).) The population of the Southern California area is only about 5% of the nation’s population. (<http://bit.ly/1R7r9uA>;⁶

⁶ (Full URL)

http://en.wikipedia.org/wiki/Greater_los_angeles_approximately_18_million_people, (last visited May 21, 2015)

<http://www.census.gov/popclock>, (last visited May 21, 2015)

(18 million vs. over 320 million). The Ports are thus an important part of the economy, but this benefit comes at the cost of large amounts of air pollution.

During the early 2000's, environmental and community groups challenged various projects approved by the Ports of Los Angeles and Long Beach as causing adverse environmental impacts on the surrounding community.⁷ As a result of these activities, the Ports of Los Angeles and Long Beach, in cooperation with the SCAQMD, CARB, and EPA, and with community input, developed the joint ports "Clean Air Action Plan" (CAAP) in 2006. The CAAP was updated in 2010. In the Executive Summary to the 2010 update, the ports state that they "recognize that their ability to accommodate the projected growth in trade will depend on their ability to address environmental impacts (and, in particular, air quality impacts), that result from such trade." (Port of Long Beach, "Final 2010 San Pedro Bay Ports Clean Air Action Plan Update, Executive Summary" p. ES-1 <http://bit.ly/1A4fW9y>,⁸ (last visited May 14, 2015).) And the ports recognized their role in reducing emissions to meet national standards for ozone and fine particulates, as well as to reduce risks from diesel. Therefore the ports established emission reduction goals for DPM (diesel particulate matter), NO_x and SO_x (sulfur oxides). (*Id.* at p. ES-3.)

⁷ See e.g., Harbor Community Benefits Foundation website, <http://hcbf.org/about/>, acknowledging origins as a result of a settlement in litigation challenging the TransPacific ("TraPac") terminal at the Port of Los Angeles. The purpose of that Foundation is to provide grants to address adverse impacts from port operations.

⁸ (Full URL)
<http://www.cleanairactionplan.org/civica/filebank/blobload.asp?BlobID=2476>

The Clean Air Action Plan committed to use a variety of methods to attain these emission reductions, including regulatory measures, incentive programs, tariffs, and lease conditions. The ports explained that leases could be used as an implementation mechanism for renegotiated, amended, or new leases. In such cases, the ports would be acting in a proprietary capacity as landlords. The ports envisioned lease conditions that could include requirements for lessees to reduce emissions or to implement specific emission reduction measures. (Port of Long Beach, “Final 2010 San Pedro Bay Ports Clean Air Action Plan Update, Implementation Strategies” p. 55, <http://bit.ly/1Hgn8iF>,⁹ (last visited May 14, 2015).)

By 2009, the ports reported significant progress in implementing the CAAP. DPM had been reduced by about 50%, and NO_x had been reduced by about 35%. (Port of Long Beach, “Final 2010 San Pedro Bay Ports Clean Air Action Plan Update, Executive Summary” p. ES-8, <http://bit.ly/1A4fW9y>,¹⁰ (last visited May 14, 2015).)

Moreover, a central element of the CAAP is the Ports’ Clean Truck Program, which was implemented through concession agreements, as well as providing incentive funding. This program required all trucks entering port property to meet EPA’s 2007 emission standards by 2012.¹¹ (The Port of Los Angeles, Clean Truck Program, <http://www.portoflosangeles.org/cleantrucks/>, (last visited May 13, 2015).)

⁹ (Full URL)

<http://www.cleanairactionplan.org/civica/filebank/blobdload.asp?BlobID=2479>

¹⁰ (Full URL)

<http://www.cleanairactionplan.org/civica/filebank/blobdload.asp?BlobID=2476>

¹¹ While both the Port of Long Beach and the Port of Los Angeles are implementing Clean Truck Programs, for simplicity’s sake some references are to the Port of Los Angeles data only.

Compared to 2007 emissions, the two ports reduced emissions rates from drayage trucks by 80% as of 2012. (*Id.*) Nearly 10,000 trucks (100% of calls to the Port of LA) were compliant with the program by 2012. (*Id.*, Click on CTP Newsroom then on Clean Truck Program Fact Sheet, Dec. 20, 2011.) The Clean Truck Program reduced DPM as much as would occur by removing nearly 300,000 automobiles from Southern California roads in a year.¹² (*Id.*)

The Ports' Clean Air Action Plan has been a useful tool to reduce air pollution from port tenants and concessionaires, and is likely to be even more necessary in the future, given that EPA has recently strengthened the annual PM2.5 standard (78 Fed.Reg. 3086 (Jan. 15, 2013)), and has adopted another, more stringent ozone standard since the original CAAP was adopted in 2006. (73 Fed.Reg. 16,436 (Mar. 27, 2008).) And EPA is now proposing an even more stringent standard, in the range of 65-70 ppb. (79 Fed.Reg. 75,233 (Dec. 17, 2014).) The Ports need to be able to

¹² Portions of the Port of Los Angeles concession agreement were held to be preempted by the Federal Aviation Administration Authorization Act (FAAA), but the Clean Truck Program was not challenged. (*American Trucking Associations v. City of Los Angeles (ATA)* (2013) 133 S.Ct. 2096.) While acknowledging that the FAAA targets states acting as regulators, not as market participants, the Supreme Court held that the City's concession agreement had "the force and effect of law" within the preemptive language of the FAAA, based on its enforceability through criminal penalties. (*ATA*, 133 S.Ct. 2096, 2103.) Although the court accepted that the City was acting "to enhance goodwill and improve the odds of achieving its business plan—just as a private company might," its enforcement mechanism rendered the action preempted. (*ATA*, 133 S.Ct. 2096, 2103-2104.) The City of Los Angeles promptly responded by amending its concession agreements to remove the provisions that had been invalidated and removing any ability to apply criminal penalties. (The Port of Los Angeles August 14, 2013 amendment to Clean Truck Program Concession Agreement, (http://www.portoflosangeles.org/ctp/CTP_POLA_%20Concession_Agreement_Amendment.pdf, (last visited May 13, 2015).)

continue to reduce emissions to achieve their business plans in a sustainable manner.

Existing case law strongly supports the ports' ability as landlords to use lease conditions to achieve their proprietary goals. Thus for example, the Second Circuit upheld a school district's condition on a lease of its property for a cellular communications tower that limited radio-frequency emissions. The court held that the action of the school district in entering the lease was "plainly proprietary." *Sprint Spectrum L.P. v. Mills*, (2d Cir. 2002) 283 F.3d 404, 420. The court reasoned that since a private property owner would have the right to refuse to lease property to the cellular company, and would have the right to decline to lease the property except on agreed conditions, the school district could do the same. (*Sprint Spectrum*, 283 F.3d 404, 421.)

Analyzing the language of the federal Telecommunications Act, the court held that it "does not preempt non-regulatory decisions of a local governmental entity or instrumentality acting in its proprietary capacity." (*Id.*) Similarly, under the federal aviation statutes, a government agency acting as landowner may enact noise ordinances in its capacity as airport proprietor if it has a rational belief that an ordinance will reduce the possibility of liability or enhance the quality of the city's environment. (*Santa Monica Airport Assn. v. City of Santa Monica* (9th Cir. 1981) 659 F.2d 100, 102-104, 104 fn. 5.)¹³ These precedents of local governments implementing pollution-reduction measures in their capacity as landlords can also be applied to rail operations. If this Court were to hold that ICCTA preempted the Ports' proprietary actions, many of the benefits of the Clean Truck Program would be lost.

¹³ The municipal proprietor doctrine, referred to in *Santa Monica*, is a type of market participant analysis. (*Tocher v. City of Santa Ana* (9th Cir. 2000) 219 F.3d 1040, 1049.)

C. Incentive Programs: Conditioning the Receipt of State Moneys on Compliance with Environmental Conditions

As noted above in Part III.B, the Port of Los Angeles Clean Truck Program relied on a combination of concession agreements and incentive payments. As of January 2012, the Port of Los Angeles had provided over \$56 million in incentive funding to support cleaner trucks. (The Port of Los Angeles, Goods Movement Emission Reduction Funding Program (Proposition 1B), http://www.portoflosangeles.org/ctp/ctp_grants.asp, (last visited May 14, 2015).) The SCAQMD also provided over \$70 million in incentives, and together the Ports and SCAQMD provided incentives not just for cleaner diesel trucks but also jointly provided an additional \$26 million for 559 trucks operating on cleaner liquefied natural gas, as of 2012 (SCAQMD, *AQMD's Incentive Programs* slide 7, <http://bit.ly/1HhVGnI>¹⁴ (last visited May 14, 2015).) No one would suppose that after taking these moneys, truck owners could refuse to buy clean fuel vehicles, even if direct regulation of their fleet by the Port and SCAQMD would be preempted. Yet that is exactly what the Court of Appeal decision allowed the NCRA and NWPCo to do: avoid an obligation undertaken in return for receiving significant state moneys.

D. The Freight Railroads' MOAs with The California Air Resources Board: Voluntary Agreements

Both judicial and Surface Transportation Board cases establish that ICCTA does not preempt actions to enforce voluntary agreements entered into by a railroad. This principle provides a wholly separate basis to hold Respondent Northwestern Pacific Railroad to its voluntary agreements with the public agency, NCRA, *even if that public agency was not acting as a*

¹⁴ (Full URL) <http://www.aqmd.gov/docs/default-source/technology-research/clean-fuels-program/clean-fuels-program-advisory-group---august-29-2012/welcome-and-overview-incentives-update.pdf>

market participant. Clearly, an action to enforce a contractual obligation against a freight railroad is not preempted by ICCTA. (*PCS Phosphate Co. v. Norfolk Southern Corp.*, 559 F.3d. 212, 218-219.) This is so even if the contracting party is a public entity. For example, the STB held that a township could bring a court action to enforce a railroad's voluntary agreement to limit noise from idling trains. (*Township of Woodbridge, N.J. et al. v. Consolidated Rail Corp.* STB Docket No. 42053 (served Dec. 1, 2000), 2000 WL 1771044, clarified March 31, 2001, 2001 WL 283507.) The STB ruled that "these voluntary agreements must be seen as reflecting the carrier's own determination and admission that the agreements would not unreasonably interfere with interstate commerce." (2000 WL 1771044 *3.) Therefore, ICCTA did not preempt a court action to enforce the agreements. The STB has reiterated that "the preemption provisions should not be used to shield the carrier from its own commitments." (*Joint Petition for Declaratory Order—Boston and Maine Corp. and Town of Ayer*, STB Finance Docket 33971 (served May 1, 2001); 2001 WL 458685 *5.)

Moreover, the U.S. District Court has allowed the enforcement of a railroad's agreement with the plaintiffs to provide rail service, noting that the railroads "cannot hide behind the shield of section 10501(b) to avoid their commitments." (*Pejepscot Indus. Park v. Maine Cent. R. Co.* (D. Maine 2003) 297 F.Supp.2d 326, 333.) In that case, Plaintiffs also sought to enforce an agreement the railroads had made with the state, arguing that they were third-party beneficiaries. Significantly, the court recognized that plaintiffs could sue if they qualified as third-party beneficiaries, but ultimately concluded that the agreement in issue expressly precluded third party beneficiaries. (*Pejepscot Indus. Park*, 297 F. Supp. 2d. 326, 331.)

In the present case, there is no claim that NWPCo's agreement to comply with CEQA specifically precludes third-party enforcement. Since Petitioners qualify as third-party beneficiaries under *SEIU*, 200 Cal.App.4th 869, they can also enforce that agreement. Respondents never seriously contest the legal principle that a railroad can be held to its agreements without ICCTA preemption. The STB allowed the Township of Woodbridge to enforce its agreement with the railroads to reduce noise from idling locomotives without any showing that the Township was acting as a market participant. Thus, these cases and STB decisions provide a separate and independent theory for enforcing CEQA against NWPCo, which voluntarily agreed to comply with CEQA, even if the public agency was not acting as a market participant. Third-party enforcement can be important to obtain the full benefit of such an agreement if, for example, the public agency belatedly changes its position, as occurred in this case.

Voluntary agreements can be useful in helping to meet environmental goals. In California, the two freight railroads (BNSF and Union Pacific) have entered into two memoranda of agreement with the California Air Resources Board to assist in meeting air quality goals. The first agreement, executed in 1998, requires the railroads to accelerate the introduction of locomotives meeting (on average) what at the time was EPA's most stringent NO_x emission standard for new locomotives across the fleet that enters the South Coast Air Basin. This agreement was designed to help meet ozone standards, and was projected to result in about a 65% reduction in NO_x emissions between 2000 and 2010. This could amount to up to 24 tons per day of NO_x reductions. (CARB, 1998 *Locomotive NO_x Fleet Average Emissions Agreement in the South Coast Air Basin*, <http://www.arb.ca.gov/railyard/1998agree/1998agree.htm>, (last reviewed July 1, 2014).)

In 2005, the two freight railroads entered into a second agreement with the Air Resources Board to limit diesel particulate emissions from their operations. The railroads agreed to phase out what they deemed “nonessential” locomotive idling and to install idling reduction devices on California-based locomotives. In addition, they agreed to take steps to reduce excessive smoke from their locomotives, and to take actions to reduce cancer risks from diesel particulates at major railyards in the state. (CARB, *Statewide Railyard Agreement*, (last reviewed October 18, 2011), <http://www.arb.ca.gov/railyard/ryagreement/ryagreement.htm>.) (Click on Fact Sheet on Railyard Agreement)

This Court should reiterate that ICCTA cannot be a “shield” allowing the railroads to escape their obligations under their voluntary agreements even if the state is not acting as a market participant.¹⁵

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¹⁵ The SCAQMD strongly believes that the railroads can and should be doing far more to provide their “fair share” of emission reductions needed to attain the health-based federal standards. Nevertheless, the SCAQMD has a strong stake in ensuring that the Court does not render any decision that would cast doubt on these existing agreements.

CONCLUSION

ICCTA does not preempt the application of CEQA in this case. First, ICCTA preempts only regulation, and the State and its political subdivision were not acting as regulators in this case but rather as market participants in requiring NCRA and NWPCo to comply with CEQA. Second, ICCTA does not preempt the voluntary agreement of the railroad to comply with CEQA. Under these principles, the state may control the conditions upon which its political subdivisions enter the market for providing rail services and the private rail operator has also agreed to comply with CEQA. This agreement is enforceable even if the State and NCRA were not acting as market participants. Therefore, this Court should reverse the decision of the lower courts.

Respectfully submitted,

DATED: May 28, 2015

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CERTIFICATE OF WORD COUNT

Pursuant to Rule 8.520(c)(1) of the California Rules of Court, I hereby certify that this brief contains 7,949 words, including footnotes, but excluding the Application, Table of Contents, Table of Authorities, Certificate of Service, this Certificate of Word Count, and signature blocks. I have relied on the word count of the Microsoft Word Vista program used to prepare this Certificate.

DATED: May 28, 2015

Respectfully submitted,

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PROOF OF SERVICE

I am employed in the County of Los Angeles, California. I am over the age of 18 years and not a party to the within action. My business address is 21865 Copley Drive, Diamond Bar, California 91765.

On May 28, 2015 I served true copies of the following document(s) described as **APPLICATION OF THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT AND BAY AREA AIR QUALITY MANAGEMENT DISTRICT FOR LEAVE TO FILE BRIEF OF *AMICI CURIAE* IN SUPPORT OF APPELLANT FRIENDS OF THE EEL RIVER ET AL. AND *[PROPOSED]* BRIEF OF *AMICI CURIAE*** by placing a true copy of the foregoing document(s) in a sealed envelope addressed as set forth on the attached service list as follows:

BY MAIL: I enclosed the document(s) in a sealed envelope or package addressed to the persons at the addresses listed in the Service List and placed the envelope for collection and mailing following our ordinary business practices. I am readily familiar with this District's practice for collection and processing of correspondence for mailing. Under that practice, the correspondence would be deposited with the United States Postal Service, with postage thereon fully prepaid at Diamond Bar, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on May 28, 2015 at Diamond Bar, California.

Patricia Anderson, Declarant

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