

July 6, 2016

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

Dear Governor Brown:

Thank you for the opportunity to provide comments on the draft California Sustainable Freight Action Plan ("Plan"). The goals of this plan to increase efficiency and economic competitiveness while reducing emissions and cost are critical to our business and the communities that we serve. Walmart is a global leader in sustainability and has proven the environmental and economic benefits of engaging in those efforts. We appreciate California's efforts to make this an open and collaborative process.

At a high-level, many of the actions identified in the Plan present opportunities for progress in all three stated goal areas. Upgrades and advancements in infrastructure, systems and equipment; compilation and dissemination of real time accurate and transparent data; and engagement of diverse stakeholders all hold promise to improve the freight industry's efficiency, safety and environmental footprint. We appreciate the foresight and effort to make the Plan an inter-agency collaboration as well as including industry, civil society, and the communities. We believe that meaningful collaboration including all relevant stakeholders is essential to ensuring that balanced, sustainable, and effective solutions are achieved.

Walmart employs nearly 90,000 associates in California, operates 297 retail units and 14 distribution centers, and last year spent over \$24 billion with in-state suppliers that support an estimated 212,000 supplier jobs. This economic activity represents a significant component of California's economic activity within a state freight transport system that comprises one third of California's overall economic activity and jobs. Walmart's supply chain operations serve customers across the state as well as the nation. To save our customers money, the efficient operation of these supply chains depends on the competitiveness of California's ports and freight infrastructure systems. The Plan needs to foster economic competitiveness and we were encouraged to see the Governor's executive order balance economic and environmental prerogatives. The Plan however prioritizes environmental goals and we would like to see specific, measurable economic growth targets that require robust economic analysis to

identify and consider economic impacts on all stakeholders, and mitigate any unintended economic consequences and constraints on continued business operations and investment.

Any transformation of existing freight infrastructure and systems will require investment and changes in how we do business today. However, in order to achieve sustainable transformation, these investments and changes must provide a return on that investment. Actions that will drive innovation towards viable solutions need to be at a pace and through a process that ensures the intended “triple bottom line” outcomes without unintended consequences that may ripple across different businesses and industries. Viability must include commercial (total cost of ownership ROI), technical, and performance assessments gained through independent lab and real world testing, as well as from a survey of diverse stakeholders from manufacturers to end-users. For example, even within just one subset of stakeholders such as the long-haul combination tractor-trailer market, results will be heavily dependent on the duty cycle and unique applications. Within this complex environment, the trucking industry has proven its ability to innovate and drive efficiency when given the right flexibility.

As a trans-border or interstate industry, national standards and consistency are critical to providing the industry the certainty required to: reduce the complexity of adherence; increase speed to commercialization; and reduce the cost of innovation. Walmart urges California to push for national equipment standards that align other regional, state and national efforts to ensure the final actions will achieve all three goals of this process. For most fleets, managing a patchwork of state-by-state rules results in increased compliance complexity, increased cost, and decreased large scale innovation. Cost-effective, consistent, and viable solutions will not only attract freight companies to California, but many other related industries too.

As one of the largest private fleets in the United States, Walmart is a strong and active proponent of freight efficiency processes, technologies, and systems, and programs. In 2005, Walmart committed to doubling our U.S. fleet efficiency by 2015, and we achieved our goal, reaching 102.2%. Our 2015 fleet efficiency represented an avoidance of 650,000 metric tons of CO₂ compared with the 2005 baseline and a savings of over \$1 billion. This achievement was the result of a consistent focus on filling our trailers, driving fewer miles, and programs that ensured the effective purchasing, operation, and maintenance of our equipment.

In our facilities, we have achieved year over year decreases in energy intensity, and Walmart has been recognized as the largest user of onsite solar generation in the United States. Walmart has been leading the transition to fuel cell material handling equipment. Walmart currently operates over 4,000 pieces of equipment, making us the largest user of fuel cell fork lifts in the world. We are a founding member of Business for Social Responsibility’s Future of Fuels initiative, a cross value-chain, fuel-neutral group focused on lifecycle energy sustainability to drive a sustainable transition to low-carbon commercial road freight. In all of our initiatives, Walmart strives to not only change our business but champion sustainable solutions that change industries.

The Walmart initiatives highlighted above are only a few of the programs we are engaged in to move towards our three aspirational goals to be supplied 100% by renewable energy, to create zero waste and to sell products that sustain people and the environment. We do not mention these aspirational goals to be boastful of our programs, but to highlight Walmart's commitment to sustainability and showcase our resume to be an active and collaborative partner in the Plan and your process. Walmart supports California's drive toward a sustainable freight system and believes solutions balancing the needs of communities, the environment, and the economy are possible.

Sustainability is a competitive strength that is complementary and contributory to the pursuit of Walmart's goals. Sustainable business practices foster innovation, operational excellence, and business growth when designed in an informed, collaborative and balanced way. Thank you for the opportunity to share our thoughts, and we look forward to further participation in the process and the ultimate completion of a compelling and balanced Plan.

Sincerely,



Chris Sultemier
Executive Vice President, Logistics
Wal-Mart Stores, Inc.

CC's:

- Honorable Brian Kelly, Secretary, California State Transportation Agency
- Honorable Matthew Rodriguez, Secretary, CalEPA
- Honorable John Laird, Secretary, California Natural Resources Agency
- Honorable Mary Nichols, Chair, California Air Resources Board
- Honorable Malcolm Dougherty, Director, Caltrans
- Honorable Panorea Avdis, Director, Governor's Office of Business and Economic Development
- Honorable Jim Frazier, Chair, Assembly Transportation Committee
- Honorable Jim Beall, Chair, Senate Transportation Committee
- Honorable Patrick O'Donnell, Chair, Assembly Select Committee on Ports
- Honorable Ricardo Lara, Chair, Senate Select Committee on Ports and Goods Movement