



Steven Hancock, Transportation Systems Performance Manager
California Department of Transportation
MS 49
1120 N Street
Sacramento, CA 95814

December 5, 2016

Dear Mr. Hancock:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and the summary (Form DF-131) for the proposed regulation that allows California's toll agencies to adopt the 6C protocol that is used for electronic toll collection (ETC), as required in California Code of Regulations, title 1, section 2002(a)(1). These comments are based on the SRIA and on the proposed regulatory language as included in the July 2016 draft of proposed changes to the California Code of Regulations, title 21, sections 1700–1705.8.

The proposed regulations enable California's toll agencies to adopt the 6C protocol for ETC beginning on January 1st, 2019, which has significantly cheaper transmitters. By January 1st, 2024, all California toll agencies are expected to have replaced the old transmitters (T21) with transmitters that use the 6C protocol. Although the adoption of the new protocol requires toll agencies to spend \$4.8 million to retrofit their current ETC system and an additional \$1 million to discard the old T21 transmitters, the average yearly savings are \$20.4 million (2019-2024). In the state economy, the reinvestment of these savings in local transport infrastructure will increase employment, and generate an improvement in transport efficiency that will allow for additional spending in other sectors.

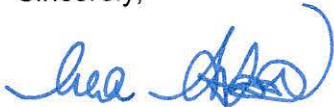
Finance generally concurs with the methodology used to estimate the annual impact under the proposed regulation. The analysis meets the requirements with three exceptions. First, the inclusion of a "no change" alternative is not informative for the public. A separate alternative that provided a genuine contrast to the proposed regulations should have been used instead. One possibility could be the examination of other technologies that can generate similar or higher savings for toll agencies.

Second, it is surprising that despite the improvements in transport efficiency (less congestion and better roads), the transport sector is the only sector that consistently reports a yearly \$1 million decrease in output. As reported, the estimated output decrease of the transport sector is not taking into account the positive effect on messenger demand of the improvement of transport efficiency. The benefits would thus be understated.

Third, the SRIA does not discuss whether the adoption of this technology poses privacy and security concerns to its users. It is possible that unauthorized individuals could read the tags' information without the owner's knowledge or consent, resulting in the possibility of people being tracked without their knowledge or consent. There are separate regulations addressing privacy, and this is an issue with existing technology as well. However, with the expected large-scale adoption of transponders facilitated by the new technology, greater privacy risks are an impact that should be discussed in the SRIA.

These comments are intended to provide sufficient guidance outline prospective revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,



Irena Asmundson
Chief Economist
Department of Finance

cc: Ms. Panorea Avdis, Director, Governor's Office on Business and Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Tom Hallenbeck, Director, District 9, California Department of Transportation
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