MEETING

STATE OF CALIFORNIA

AIR RESOURCES BOARD

JOE SERNA, JR. BUILDING
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
BYRON SHER AUDITORIUM, SECOND FLOOR
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Ms. Sandra Berg
Ms. Dorene D'Adamo
Dr. Daniel Sperling
Dr. John Telles
Mr. Ken Yeager

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Ms. Ellen Peter, Chief Counsel
Mr. Michael Scheible, Deputy Executive Officer
Ms. Lynn Terry, Deputy Executive Officer
Mr. Bob Cross, Chief, Mobile Source Control Division
Ms. Julie Cress, Staff Counsel
Ms. Victoria Davis, Staff Counsel
Ms. Jessica Dean, Mobile Source Control Division
Mr. Tom Evashenk, Alternative Strategies Section
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Ms. Debbie Kerns, Senior Staff Counsel

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APPEARANCES CONTINUED

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Ms. Cynthia Marvin, Assistant Division Chief, Planning & Technical Support Division

Mr. Chandan Misra, Planning & Technical Support Division

Ms. Tess Sicat, Alternative Strategies Section

Mr. Dean Simeroth, Chief, Criteria Pollutants Branch

Mr. Michael Terris, Senior Staff Counsel

ALSO PRESENT

Mr. Mike Barr, Association of American Railroads

Mr. Henry Hogo, South Coast Air Quality Management District

Ms. Bonnie Holmes-Gen, American Lung Association of California

Mr. Angelo Logan, East Yard Communities for Environmental Justice

Mr. Mark Loutzenhiser, Sacramento Air Quality Management District

Mr. Steven Lujan, Cascade Sierra Solutions

Ms. Andy Matubol, Mitsubishi Motors

Mr. Bill Magavern, Sierra Club of California

Mr. Kirk Marckwald, California Railroad Industry

Mr. Sean Mohajer, AQMS Automotive

Mr. Jonathon Morrison, California New Car Dealers Association
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Michael Paparian, California Pollution Control Financing Authority

Mr. Charlie Peters, Clean Air Performance Professionals

Mr. Norman Plotkin, California Automotive Wholesalers Association, Automotive Aftermarket Industry Association, LKQ Corporation

Ms. Isella Ramirez, East Yard Communities for Environmental Justice

Mr. Patrick Smith, California Trucking Association, Harris Ranch

Mr. Chris Torres, F&L Farms Trucking, Inc.

Ms. Joycelyn Vivar, East Yard Communities for Environmental Justice

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PROCEEDINGS

CHAIRPERSON NICHOLS: Good morning, everybody.

We're about to get started here.

Welcome to the June 26th, 2009 public meeting of
the Air Resources Board. As is customary, we will begin
with the Pledge of Allegiance to the flag.

(Thereupon the Pledge of Allegiance was
Recited in unison.)

CHAIRPERSON NICHOLS: Where is the rest of our
group.

All right. We'll wait a moment here. I can make
the general announcements, while we're waiting for our
other board members who I know are here, but not
physically in the room with us at the moment.

So, first of all, if there's anybody here who is
not a regular at these meetings, I need to make sure that
you know that if you want to speak on any item before the
Board or in the open comment period, you need to sign up
with the clerk and make sure that we have your name, so I
can call on you when the time comes.

We do impose a three minute time limit.

Yes.

CHIEF COUNSEL PETER: I was just trying --

CHAIRPERSON NICHOLS: Can you not hear?

CHIEF COUNSEL PETER: I'm just signaling to Lori.
I apologize, Mary.

CHAIRPERSON NICHOLS: All right. We do not have a quorum, so we can't start the meeting.

CHIEF COUNSEL PETER: Correct.

CHAIRPERSON NICHOLS: All right, then we won't. However, that's easy. Sorry. Apologize to the public, I thought we had our quorum here. And apparently some people were confused and maybe thought that we were beginning at 9, as we did yesterday instead of at 8:30. So we'll wait.

I can make an announcement though for the record. I want to clarify what happened at the end of yesterday's meeting, where on Item 09-6-5, the AB 32 fee regulation, the Board decided to delay any action on the item until the July meeting, but we are encouraging the submission of written comments while staff continues to work with stakeholders to resolve the issues that were identified during the hearing yesterday. So we want written comments to be submitted. We assume that there will be meetings going on as well. And we will receive comments after yesterday and until the July board meeting, they will be included in the administrative record, and they will be responding to as part of the final statement of reasons when the Board acts in July. So just to clarify.

Well, here we are. Should we start all over?
All right. We're not going to redo the Pledge of Allegiance. We'll just assume that you would have pledged allegiance if you had been here and we'll start with the roll call.

BOARD CLERK VEJAR: Dr. Balmes?

BOARD MEMBER BALTINES: Here.

BOARD CLERK VEJAR: Ms. Berg?

BOARD MEMBER BERG: Here.

BOARD CLERK VEJAR: Ms. D'Adamo?

BOARD MEMBER D'ADAMO: Here.

BOARD CLERK VEJAR: Ms. Kennard?

Mayor Loveridge?

Mrs. Riordan?

Supervisor Roberts?

Professor Sperling?

BOARD MEMBER SPERLING: Here.

BOARD CLERK VEJAR: Dr. Telles?

BOARD MEMBER TELLES: Present.

BOARD CLERK VEJAR: Supervisor Yeager?

Chairman Nichols?

CHAIRPERSON NICHOLS: Here.

BOARD CLERK VEJAR: Madam Chair, we have a quorum.

CHAIRPERSON NICHOLS: Excellent. All right.

So the first item on our agenda for this morning
is the enhanced fleet modernization program, I believe.

And this program was created by Assembly Bill 118, signed into law by Governor Schwarzenegger in 2007.
The Air Resources Board is required under AB 118 in consultation with the Bureau of Automotive Repair, or BAR as we call them affectionately, to adopt a program that allows for the voluntary retirement of passenger vehicles and light-duty and medium-duty trucks that are high polluters.

This program will be administered by BAR, according to these guidelines. Legislation creating this program also allocates approximately $30 million from vehicle registration each year through 2015 to fund the program.

So today we're going to take a look at the proposed regulations for this program. Mr. Cackette, will you please introduce this item.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Thank you Chairman Nichols. And good morning, Board Members.

AB 118 creates three new incentive programs which provide up to $200 million in annual funding through the year 2015 to support introduction of alternative fuels, reduce greenhouse gas emissions and reduce smog emissions. The funding is administered by ARB, the California Energy Commission, and the Bureau of Automotive Repair.
At our May board meeting, we considered proposals for two of the three new programs. Today, we're asking the Board to approve a proposal that will enable the Bureau of Automotive Repair to move forward with the fleet -- enhanced fleet modernization program, which is Bureau speak for vehicle scrapping.

This program will augment the existing vehicle retirement programs within the state and will go a step further. This program provides both incentives for vehicle retirement and for the first time incentives for vehicle replacement. The incentives for vehicle replacement are part of a pilot program to provide vouchers to participants towards the purchase of newer cleaner vehicles. These incentives will provide an economic stimulus for California in addition to their air quality benefits.

Today's proposal focuses on the broader administrative guidelines for implementing the vehicle retirement program and pilot voucher program as well as funding for the upcoming program. And again the program will actually be implemented by the Bureau of Automotive Repair.

So I'd like to turn it over Tom Evashenk of the Mobile Source Control Division who will be providing the presentation.
MR. EVASHENK: Thank you, Mr. Cackette. Good morning, Chairman Nichols and members of the Board.

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MR. EVASHENK: Today's presentation will include a review of existing car scrap programs and their impact on emissions, an overview of the enabling legislation prompting staff's proposal, the major components of our proposal and staff's recommendation.

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MR. EVASHENK: There are currently over one million vehicles retired every year as part of normal fleet turnover in California. The State's new vehicle standards depend on this natural attrition to significantly reduce fleet emissions.

Voluntary car scrap programs accelerate this normal attrition by providing monetary incentives to vehicle owners to retire older more polluting vehicles. Accelerating the turnover of existing fleet and subsequent replacement with newer, cleaner vehicles provides substantial and cost effective emission reductions. Existing programs require that vehicles be registered in California for at least the previous two
years and pass visual and functional inspections to ensure
real and surplus reductions.

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MR. EVASHENK: From a fleet perspective, older
vehicles have a significant impact on emissions. For
example, in 2010, vehicles 15 years and older will account
for 20 percent of the fleet, but be responsible for over
60 percent of the smog-forming emissions from light-duty
vehicles. Clearly, reducing emissions from the oldest
portion of our fleet is important in meeting State and
federal air quality standards.

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MR. EVASHENK: Several districts administer
programs to retire older vehicles as a strategy to provide
cleaner benefits and generate mobile source credits. The
amount of the incentives varies by district and range from
$650 to $900 per vehicle, and are available for vehicles
that have passed their most recent Smog Check. These
programs do not compete with the State Program, which
accepts only vehicles that have failed their last Smog
Check.

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MR. EVASHENK: Shown in red are the local
districts currently operating car scrap programs. They
include Antelope Valley, Bay Area, San Joaquin, Santa
Barbara and the South Coast. A combined total of roughly 5,000 vehicles are retired each year at the local level.

With that said, there are many areas of the state without access to car scrap, creating the need for an expanded State program. I will now describe the State's existing vehicle program.

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MR. EVASHENK: California's program is administered under the Bureau of Automotive Repair's consumer assistance program. Owners receive $1,000 to retire their vehicle at a dismantler licensed by the Bureau.

Although, there are air quality benefits associated with the State program, the primary objective is to provide options to Californians facing difficulties in registering their vehicle due to a failed Smog Check. Program vehicles are generally older, but there is not a specific range of model years targeted. Any vehicle that has failed a Smog Check test and has met registration and physical condition requirements is eligible.

However, pre-76 and diesel vehicles are not subject to Smog Check and thus not eligible creating a gap in vehicle coverage.

The program retires roughly 22,000 vehicles each
year.

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MR. EVASHENK: Okay. Let's move to a summary of the proposal's enabling legislation and the main directives contained in AB 118.

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MR. EVASHENK: AB 118 provides new funding for the expansion of car scrapping at the State level. Funding of approximately 30 million is provided through a $1 increase in vehicle registration fees through 2015. The intent of the new program is to target the highest emitting vehicles in the fleet in areas with the worst air quality.

AB 118 directs that the program consider flexible compensation for vehicle replacement and consider the impacts on low-income populations.

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MR. EVASHENK: To develop our proposal, staff worked closely with the Bureau of Automotive Repair and other stakeholders and conducted four public workshops.

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MR. EVASHENK: Broadly, there are two main aspects to our proposal. For vehicle retirement, incentives will be available statewide. The proposal widens the pool of eligible vehicles by removing
requirements that vehicles are subject to and fail Smog Check.

The second element is a pilot voucher program, which includes both retirement and replacement incentives and which will be initiated in the south coast and San Joaquin valley. The pilot voucher program specifically identifies and outreaches to probable gross-polluters for participation.

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MR. EVASHENK: For the general program, staff proposes incentive levels, which are consistent with the Consumer Assistance Program, as shown in this illustration. These levels provide enough compensation to ensure robust program participation and allow for a consistent statewide program. Again, these incentives are available statewide.

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MR. EVASHENK: The second main element of our proposal is a pilot voucher program that provides additional incentives to targeted consumers for the purchase of newer vehicles. The vouchers incentives would be in addition to the retirement incentive. BAR will contract with local districts who will provide program interface with consumers and car dealerships. The vehicle replacement vouchers would be redeemed at new and used car

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MR. EVASHENK: As shown in the table, the voucher incentive would be $2,000 per vehicle for the purchase of a replacement vehicle four years old or newer. For income-eligible participants, the incentive is $2,500 per vehicle. In addition, greater flexibility is provided by allowing income eligible participants to choose from the most recent eight model years.

The option to purchase a used vehicle allows for a much lower cost to the consumer, while still resulting in the purchase of a vehicle meeting the ARB's cleanest vehicle standards.

MR. EVASHENK: There are three broad categories of vehicles that the voucher program will solicit, as shown here. These groups of vehicles have higher emissions on average than the overall fleet. As a result, additional incentives can be provided for vehicle replacement while still maintaining acceptable cost effectiveness.

MR. EVASHENK: To summarize, total incentives for those taken advantage of the voucher program, will be $3,000 per vehicle. For income-eligible participants, the
total compensation will be $4,000.

MR. EVASHENK: Funding for this proposal will result in the annual retirement of roughly 15,000 vehicles, with 3,500 consumers being able to take advantage of the voucher incentives. The majority of the program's benefits are derived from the statewide retirement element. And the overall program is expected to reduce smog-forming emissions by approximately 1.6 tons per day.

The last line shows our commitment in the 2007 State Implementation Plan for ozone. The proposal serves as a down payment toward our SIP commitment and provides experience necessary to expand as additional funds become available.

MR. EVASHENK: Cost effectiveness varies depending on the age of the retired vehicle, whether a voucher is used, and whether additional incentives are provided for low-income participants.

The average cost effectiveness for vouchers and income-eligible participants is slightly higher than other incentive programs, but is consistent with the legislation's direction that consideration be given to encourage cleaner vehicle replacements and low-income
Overall, the average cost-effectiveness is estimated to be just under $16,000 per ton.

MR. EVASHENK: Recent federal efforts to stimulate vehicle sales and improve fuel economy have led to the creation of a new billion dollar national scrap program. Owners of vehicles that get less than 18 miles per gallon will receive $3,500 or $4,500 depending on improvement in fuel economy, if they scrap the old car and buy a new higher mileage one.

The National Highway Traffic Safety Administration is now developing the rules for the program. While the federal program has different timing and focus, there is a potential for limited overlap, therefore we have included a modified test that prevents an applicant from combining funds from the two programs.

MR. EVASHENK: In conclusion, staff recommends that the Board adopt the proposed car scrap program with the clarifying changes identified in the modified text for implementation by the Bureau of Automotive Repair beginning in 2010.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you. We do
have a list of witnesses here. We have a couple questions for the staff, I believe, starting with Supervisor Yeager.

BOARD MEMBER YEAGER: Yes, thank you.

Just if you could explain why it's limited, I guess, for the first year to South Coast and San Joaquin, not that they're both not worthy, and then for sure then after a year from when it starts, then it will be available for everyone in the State, is that what the proposal is?

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: The proposal as it's -- I'm sorry. This is Jack Kitowski. The proposal, as you said, for the voucher aspect of the program, is limited in the first year as a pilot program in the South Coast and San Joaquin area. There are other districts, the Bay Area for example, that runs probably the largest car scrapping program. Those areas were chosen, because those were part of the SIP commitment and because, quite frankly, we wanted to get our feet wet with the pilot voucher portion of this requirement.

We certainly have plans to expand it, but we want to monitor it closely. So if all goes smoothly, if the funding is there and available, yes, we would like to expand it beyond South Coast and San Joaquin after the first year.
BOARD MEMBER YEAGER: So will you come back to us if you can't do that and update us?

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: We certainly can.

BOARD MEMBER YEAGER: Yeah, I think that's important if it doesn't look like you'll be to expand it after a year.

CHAIRPERSON NICHOLS: Good point.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: If I could add one other point too is that we pointed out that there's $30 million a year available for this program, but not in the first year. It was less than that. And so we kind of -- if we spread the voucher part over a whole large number of areas, it would have been administratively high and not much money per area, which would tend to make people not participate. So that's another reason why we limited the first year.

CHAIRPERSON NICHOLS: Ms. D'Adamo.

BOARD MEMBER D'ADAMO: I have two questions.

When does an old car become a classic car? I mean, is there sort of a cutoff on age? And also where are -- do you have a sense of where the older cars are located? Is it pretty much spread out per capita or do they seem to be concentrated in any certain areas of the state? The reason I ask is because of, you know, the higher poverty...
rates in San Joaquin. And I'm wondering if there's a
higher concentration of the older cars as opposed to the
classic cars in San Joaquin?

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF

KITOWSKI: We've heard from car collectors throughout the
state, so I do not think that they're geographically
limited. Although, I think certainly the southern
California area --

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: This
is Bob Cross.

I believe there is a constraint on registration,
and I think it's 25 years, but I'm not sure. But anyhow,
the DMV rules make a distinction age-wise in terms of what
is and isn't a classic. If you want to register it,
that's --

CHAIRPERSON NICHOLS: There's an option to
register a car as a classic car, if it's a certain age,
but --

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS:

Twenty, 25 years is sort of what is usually
thought of as sort of the beginning of when cars become
classic, because they've cycled through their, you know,
sort of minimum value. And people who remember them are
starting to buy them and the values start going back up.

STAFF COUNSEL DAVIS: That's a way of saying it's
in the eye of the beholder.

CHAIRPERSON NICHOLS: Could you speak up please,
I can't hear.

STAFF COUNSEL DAVIS: This is Victoria Davis,
staff counsel. To some degree, a classic is in the eye of
the beholder. I think those folks who took the time to
write to us are the ones who's elderly -- excuse me,
chronologically gifted vehicles are in good repair and
driven seldom. And that's part of what, to their owners,
makes them classics, as opposed to a heap used for daily
transportation.

CHAIRPERSON NICHOLS: But, I'm sorry, I was under
the impression that in some places in the Vehicle Codes,
there is a term for a classic car, and that it is defined
as being exempt from certain programs.

STAFF COUNSEL DAVIS: There's a historical
vehicle registration that one can get, but it's just a
snazzy license plate as far as I know. It's not even that
snazzy a license plate.

CHAIRPERSON NICHOLS: Really?

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: But
it's constrained by age, right?

STAFF COUNSEL DAVIS: It is constrained by age,
but it's been around so long that the age constraint is
nearly meaningless, because I think it is 25 years. And
one is not required to get such a license plate for one's collector vehicle, if one doesn't want to.

CHAIRPERSON NICHOLS: I have a feeling that pursuing this is not going to get us anywhere, so I think we should move along.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: It is the thing about people remembering cars.

STAFF COUNSEL DAVIS: It's a black hole.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: It's the cars that we remember when we were growing up, as we become old enough to be able to afford to buy them and fix them back. So that becomes 20 or 30 years typically.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: If I can make one general comment back to the scrappage programs. What we found in the scrappage programs, which we've run now for over ten years, is that those involved in the business, the dismantlers themselves, are the ones who know their clients. And so if a car has value, if that car -- if there are collectors that will be pursuing either that car or those parts, they know it, and they're able to pull that car out of a scrappage program and put it in -- the marketplace basically takes care of that.

CHAIRPERSON NICHOLS: Well, that was actually the question that I was going to ask more broadly about this
program, which is, you know, I think we may all have in
our mind the image of a car being brought in and then
compacted into a small square and sent to some foreign
country. And I trust that that isn't necessarily the fate
of every car that comes into this program, that scrappage
just means it's no longer available as a distinct
automobile to be put back out on the roads again, but that
it could be dismantled and recycled in various more
productive ways.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.
And that what determines that is the value of the car.
And if we offer $1,000 or $1,500 for a car, that one gets
scrapped. And if they think it's worth more than that, as
parking or as a collector value to somebody, then
obviously that dismantler doesn't have to take the State
money and can put it into the marketplace and recycle it
as they see fit.

So that's sort of where this, you know,
eye-of-the-beholder concept is the person that knows the
market the best is the dismantler of what that vehicle is
actually worth, worth more than State money, then they
take it out of the program.

CHAIRPERSON NICHOLS: So it's actually an
economically rational program.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes.
STAFF COUNSEL DAVIS: In this modern age, anybody can put their car up on eBay and if they don't get as much as the dismantler is going to offer them, then they can offer it to the dismantler. Whereas, if there's someone in Connecticut who's just been dying for a '69 Marlin fender and will pay anything for it, then that will change the economic rationale.

Also, I would have to say that age alone does not confer classic status on a car. Although, everything has its adherence. The practical matter is a '68 Rambler is never going to be worth as much as a '68 Charger or something like that. And those things will be self regulating also.

CHAIRPERSON NICHOLS: Right. Okay. I had one other question that I just wanted to clarify and that has to do with the management of these programs, because you've mentioned the role of the Bureau of Automotive Repair and you've heard to identified or potential gross polluters. But I don't actually understand, you know, where the administration of this program lies and what the costs of it are going to be.

I mean, if we're just contracting with the districts and the list of potential targeted cars is available, why are we -- why is this so convoluted, or is it convoluted? Maybe, I'm not thoroughly understanding
how it's administered.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF

KITOWSKI: Yeah, I don't actually think it's convoluted. It slips well into what the Bureau of Automotive Repair is currently doing. So there are two parts of it, and it's good to parse each of those out separately.

You know, the first part being the general scrappage program. BAR scraps 20,000 vehicles a year. In their Compliance Assistance Program, they're going to scrap another 15,000 with the same mechanism. What they're simply doing is opening it up so that you don't have to be right in the middle of your registration and have just failed a Smog Check. I think that opens it up for a lot of the questions. We get people statewide, people going, can I scrap my car? And you go no, you have to wait until you -- no, you have to fail your Smog Check. No, your district doesn't offer this program.

So that fits in seamlessly with what they're currently doing. The new part is the pilot program. And that is -- you know, we are developing that. We've got the structure of the program, which is sound in the regulation. But there are going to be implementation efforts that we need to work with, both us and BAR and the districts over the next year, and with the dealerships and the dismantlers and we're willing to do that.
It's not simply a matter of giving the money to the districts to run that voucher program, because BAR does need to check eligibility of the car. That is a statewide function. It makes sense to aggregate that there.

So everybody has their role. And we're committed to making it work. It's part of our SIP obligation, so we do take that seriously. And we're not just adopting the regs and handing them off. We definitely want to have a success out of this pilot program.

CHAIRPERSON NICHOLS: Well, I appreciate that you're doing everything you can to make it work. It just seems that there's an extra piece in all of this, which makes it a little more complicated. I assume everybody will approach it in good faith. But in reality, all you need is a list of model years and check whether the car is in that model year and type of car, right? I mean, this is not a major new assignment that we're talking about.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I think the way it's turned out and it maybe isn't the most streamlined. But the Legislature's wisdom was to give us the money, so that's why we're here. They asked us to determine the guidelines, so to speak, for the scrap program. So --

CHAIRPERSON NICHOLS: Because they wanted air
quality benefits from the program.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.

And that's what you're doing today. The Administration --

I think the Administration decided that the money should
go to BAR. So that's why the cash goes through us, but
goes to them to implement, and that's because they already
have this fairly large -- the State's largest scrap
program. And then the voucher thing was new. And we
thought that it makes more sense to, you know, tie in
local government who's going to be closer to the dealers
and administration of it, which is why BAR will contract
with the districts to actually run the program.

And there has to be a link there, because the car
has to be scrapped first, which they're doing. And then
there's a link to the locals to figure out how the money
gets to the dealer. And we try to make that absolutely
seamless, so you have this piece of paper, you go and buy
a newer vehicle, it says -- the dealers will already be
participating through contract with BAR and they just say
hey, this is worth $4,000 towards a purchase.

CHAIRPERSON NICHOLS: But when you say that BAR
is scrapping the programming, I mean, they are not
physically taking custody of the vehicle?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: No, but
they contract with dismantlers. So they're the ones that
implement the rule that you're passing. They actually go
out and see the cars scrapped at times to assure that
really is scrapped and not just take the State's money and
then put it back into service again. So that's the
function.

CHAIRPERSON NICHOLS: Well, as you can tell from
the questions, I'm looking for ways to streamline even
further and make sure that this thing is being run as cost
effectively, as consistent with some degree of, you know,
appropriate oversight by the State.

I think that's enough for the moment. We do have
a list of witnesses. Oh, one more question. Sorry.

BOARD MEMBER SPERLING: Yeah. I'm trying to -- I
have to say I don't understand this well, but I have a
couple questions that deal with making it a really --
making sure it's an effective program. I'm not clear
exactly what we're changing.

As I understand, there is now $1,000 incentive,
but pre-76 vehicles and diesels are not eligible, that's
right?

And now what we're doing is saying the pre-76 are
eligible and light-duty diesels are now eligible and we're
adding these extra vouchers if you buy a newer vehicle.
And I guess we're also creating this income-eligible
program. Is that what we're doing?
CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, the one -- that's absolutely correct, but the one missing part is that in the current $20 million, 22,000 car scrap program that BAR runs, you only can scrap the car at the time of Smog Check. So this is, you go into a Smog Check, you fail, and you don't have enough money or you just don't want to deal with it, this is an option you have. Scrap it. They also have an assistance program to help you repair it. So the consumer makes the choice.

What's different here is that you can wake up on Friday morning and decide I want to get rid of my car. You can go to BAR's dismantler, and you can scrap it right there. So we think a lot more people will be interested in scrapping their cars, you know, 700 and some days a year, rather than just waiting for that one moment when they come in and fail a Smog Check.

BOARD MEMBER SPERLING: Okay. So two little more questions. So has there been any real evaluation about whether these numbers that you show really are good numbers? I mean, I remember there were back in the nineties we did a lot of studies and there was a lot of questions about -- you know, there were a lot of assumptions made, because, you know, you have -- is the vehicle that's scrapped, how much would it have been used, and what were the emissions really?
And so now if you're scrapping it and you're not going through this smog test, you don't even know what the emissions are.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, we did run -- the legislation required -- not this legislation, but prior legislation required us to run a pilot program for scrap and do this evaluation. And we did that, published a report, and what we -- I don't remember how many cars it was that we tested, but we actually brought the car after it was scrapped, before it was destroyed to the El Monte lab -- the parking lot looked pretty interesting at times -- and ran emission tests on these cars.

And then we ran surveys of the people who had scrapped the car to find out what did they do afterwards. Some of them, you know, took the bus. Most of them bought another car. The car was, I think, on average eight years newer than the one they scrapped. And so from that, we were able to determine what the emission reductions were and what we think the consumer's habit would be. And that was done, I believe, more in the context of the district program if I'm right, is that right?

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: Yes, it was.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah.
And so it was more like this program than it was the BAR program. And so I think we had a pretty good sense of what would happen. Admittedly, that's 10 years old or so now, but I don't know that people's habits would have changed significantly since then.

BOARD MEMBER SPERLING: Okay. And the last question is, this requirement -- the replacement vehicle part of it.

The replacement vehicle can be a huge SUV. Is there any -- which would not be -- as I understand, unless there's some other criteria I don't see written here. If that's the case, maybe we want to create it in a way that's also consistent with our greenhouse gas goals, AB 32 goals. That the replacement vehicle be, you know, somehow lower, you know, have lower carbon emissions or something like that. Does that make sense at all?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It makes sense. We didn't do it that way, because the focus of this was to get smog emissions. And that SUV has, being a relatively new one, has the same emissions as a small car does. They meet the same standards. So there wasn't a distinction from a smog standpoint. But I can't say that that wasn't a good idea. I don't know if there was anything that stopped us from doing that.
KITOWSKI: No, there wasn't that would have stopped us. I think the biggest limiting factor would be trying to keep track of that information, putting another layer on the program. In some sense, a very streamlined, easy-to-operate program is not only easy to advertise, it's easy for the consumers to get into and then participate in. And there's always a balance. It may be a very worthwhile concept to put in there, but that's the balance that you run of whether it provides an additional sort of restrictive layer that will make it more difficult to operate.

CHAIRPERSON NICHOLS: But I think that's a really good point, because given rising gas prices and lessened desirability of large heavy vehicles that don't get good gas mileage, those would be the most likely targets of someone getting a voucher.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: You could put a constraint -- this is Bob Cross again. You could put a constraint on the minimum fuel economy that went into the program or something like that, or other replacement vehicle. I mean, I think Jack's right, if you try and compare vehicle to vehicle, it's going to get really complicated. But if you sort of say okay, has to be more fuel efficient than X for example or something like that,
that might be implementable.

BOARD MEMBER SPERLING: I like that idea.

CHAIRPERSON NICHOLS: I think that's a really
good idea, yes.

BOARD MEMBER TELLES: If I understand this
correctly, the eligibility criteria has been changed in
the sense the vehicle doesn't have to be registered for
two years prior to being scrapped?

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KITOWSKI: There is specific requirements in the
legislation that we open up the registration requirement.
And that's one of the balance points we had when we were
developing this regulation. You can't -- we want to be
responsive to the legislation, but we can't go so far as
to just say bring in your car that's been collecting weeds
in the backyard for two years.

So we -- there is a criteria in there. It opens
the gate a little bit, but doesn't bust it wide open.
There has to be some evidence that the car is being
driven. Granted that would be being driven illegally, but
there has to be some evidence that the car was being
driven through either repair records or other
documentation.

BOARD MEMBER TELLES: It seems to me that if you
were scrapping a car that's not registered and not really
30 being driven in any significant fashion, there's really no emission savings. And that your estimate of the cost of this, if, for instance, all the cars are scrapped, they haven't been registered and aren't being driven, there's absolutely no emission savings, and the costs are astronomically high.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOSKSI: We would agree with you, that -- which is why we are trying to be responsive to that legislation, that specifically directed this, but put enough constraints on there that demonstrate that the car actually is being driven, even if it wasn't registered.

BOARD MEMBER TELLES: Yeah, but you -- it doesn't make any sense to me, because it's possible that every car in the scrap program could be one of these type of vehicles that's not really being driven too much. And then, as a consequence, there's really no significant emission reductions.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, if the vehicle's being driven at least some, then it is still emitting while it's sitting there in the yard not being driven, and that's because of the evaporative emissions. So as long as it's not up on blocks and the fuel has completely evaporated, there are, on any hot summer day, emissions coming from that car.

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So we admit -- I mean, I agree with you that if it's not driven much, then the emissions will be lower for the amount of money spent, but it's not zero.

BOARD MEMBER TELLES: Yeah, the evaporative emissions, I would suspect, are a lot less than if you're driving a 1976 car 20,000 miles a year. And I'm just kind of concerned that you're designing a program that has no significant emissions reductions at the cost of $30 million.

CHAIRPERSON NICHOLS: Excuse me, this is the pilot portion of the program?

No? It's the whole program that we're talking about that this applies to. And the Legislature's motivation for requiring that we include vehicles that haven't got registration?

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: Yeah, if I can maybe reframe the scenario. The legislation -- the legislature, I am sure, heard comments that there are a lot of cars being driven out there, maybe they're not being registered, but they're polluting. We want to get high-polluting cars off the road, regardless of whether they've complied with all the State requirements for registration.

An example of that might be something that's identified in a remote sensing device with an RSD program,
where they put sensors on the side of the road and they'll actually pick up cars as they go by. They can see -- a certain car has gone through these systems several times, they can see that car being picked up. And is it desirable to get that car off the road? And the legislation directed us to take a look at that.

Now, I think I get back to where I started, we agree with you completely, Dr. Telles, that we don't want cars in this program that aren't being driven or that we have assurances actually that aren't being driven. So when I say that they're required to produce documentation that this car actually isn't -- that the car actually is being driven. That isn't a small hurdle. I'm talking something like, you have a Jiffy Lube receipt that shows an odometer reading in January, and you have another Jiffy Lube receipt that shows that in July you've put on 3,000 miles, this car was actually being driven, was being used, they were just avoiding the registration requirement. We think we're being responsive to the legislation, as well as balancing the need for surety on the emission reductions.

BOARD MEMBER TELLES: To me it's a little bit crazy to ask somebody to document that they've been breaking the law.

(Laughter.)
CHAIRPERSON NICHOLS: To get rid of the older car.

BOARD MEMBER TELLES: I mean, I just can't see that that's a real world thing.

CHAIRPERSON NICHOLS: In your scenario of the car that was flagged by a remote sensor, that's a lot more plausible to me. But then you've got evidence from some law enforcement agency that's actually been clocking these cars. That, to me, would be a good reason to get that car off the road.

But I wouldn't be excited about just opening this program up voluntarily. I mean, I think you're going to end up -- maybe you don't actually buy the car back, maybe you just waste everybody's time while people come in with their, you know, sheaf of papers trying to find somebody to buy it. But either way, I don't see why we want to open up the program to these kinds of iffy situations.

You know, in Los Angeles, if you have a car that's parked in front of your house and your tags are -- you know, you've been late in putting on your new registration sticker, you get a ticket. I don't know how it is in the rest of the State, but somebody is out there doing a pretty good job of checking up to see whether people are actually registering their cars.

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KITOWSKI: Is it helpful if I read the short sentence that
is the legislative direction?

CHAIRPERSON NICHOLS: Go ahead.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF

KITOWSKI: "The program is available for high-polluting
passenger vehicles and light-duty and medium-duty trucks
that have been continuously registered in California for
two years prior to acceptance into the program or
otherwise proven to have been driven primarily in
California for the last two years and have not been
registered in any other state or country in the last two
years."

CHAIRPERSON NICHOLS: I think that's intended,
the way I would read that, to deal with the
non-registration in other states, just to clarify that.

That doesn't help me any, in terms of indicating a
legislative intent to open this up to some car that just
hasn't been registered, but wasn't being driven. And
we're creating an awful lot of workload, it seems to me,
for no great benefit, unless we absolutely have to.

CHIEF COUNSEL PETER: I mean, this is a
complicated issue. And perhaps the thing to do, unless we
have to absolutely adopt these today, is re-examine this,
and the Board can give us direction to do that. I'm not
sure what the timing is on that.
CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, on that point about the timing, the statute says we have to adopt these by July 1st.

CHAIRPERSON NICHOLS: All right, so we've got to act on something, but we might perhaps either omit this item or this piece of it or just change -- you know, direct that the staff change this particular provision.

Okay, I think we need to hear from the witnesses however. We've had quite a bit of discussion.

One more comment.

BOARD MEMBER SPERLING: At some point, I'd like to make a proposal on how to handle the greenhouse gas. Should I do that later?

CHAIRPERSON NICHOLS: Oh, excellent. No, do it now, please.

BOARD MEMBER SPERLING: So what I would suggest is that, if it's a car -- well, it's a car or light truck, it has to meet the -- be above the average standard in the Pavley rules for that year. So, you know, in 2016 that would be, I guess, 30 for cars -- or 39 for cars and 30 for light trucks whatever it is. And it would have to be above that number for each year, according to the Pavley rules.

And then if we switch to the attribute-based standard, you know, in 2012 or 2013, it would be according
to those attribute-based footprint standards.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, it will be a little bit more complicated than that, in that this is not buying new cars. This is buying cars that are either four or eight years or newer, so we have to go back and establish some kind of number for Pavley minus eight years or --

CHAIRPERSON NICHOLS: Baseline.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And we'd have to come up with GHG minimum numbers for those years that there's not a Pavley program. So for right now, that would be something like 2002 through 2008, some numbers, but we can do that.

BOARD MEMBER SPERLING: All right. How about just use a number that's -- for any vehicle that's purchased. You would use what it was -- what it's tested CAFE number is, but it would still have to meet the Pavley rule for that year. It makes it a little more stringent that way.

So like it would still have to be above 30 MPG, whether it's a four year old vehicle or not.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, if we --

CHAIRPERSON NICHOLS: We're talking about four years newer than the car that's turned in, not four
1 years --

2 BOARD MEMBER SPERLING: Oh, is that what it is?

3 CHAIRPERSON NICHOLS: No?

4 All right. Example. Let's have a real-world example here.

5 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: If you were you to do it today in 2009, you have to buy a 2009, 8, 7, or 6 model year.

6 CHAIRPERSON NICHOLS: Okay, so it is in any given year four years from that.

7 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And if you're a low end car, it goes back four more years than that. So, you know, we could take -- perhaps, we could take the Pavley number for 2009 and apply that to all previous years that don't have Pavley, because that's not much -- the '09 number is not much more stringent than kind of the status quo. So that would be one way of doing it.

9 BOARD MEMBER SPERLING: And that's what I was intending exactly that.

10 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And then when this program migrates, it will use whatever Pavley is for that year.

12 CHAIRPERSON NICHOLS: Right. Okay, but that's -- so that's a good suggestion to have out there.
All right. Let's hear from the witnesses.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: One more clarification point on that is --

CHAIRPERSON NICHOLS: Yes.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- would we do that for -- you know, we have separate standards for car versus light trucks, so would we do that for the two categories or -- so you could end -- I mean, you could end up then turning a car in and buying a truck, which would, in fact, have higher GHG emissions than the one you scrapped, but to a lesser extent than the issue you raised.

BOARD MEMBER SPERLING: I personally disapprove, but I think as a regulator, I'd say you have to allow it to be either a light truck or a car.

CHAIRPERSON NICHOLS: All right. I think this is going to take a little more discussion, but we do have a proposal out on the table.

All right, we'll start with Sean Mohajer followed by Charlie Peters. Three minutes is the rule in effect.

Good morning.

MR. MOHAJER: Good morning. Thank you, members of the Board and Madam Chair. My name is Sean Mohajer and I'm here from AQMS Automotive. We are a local scrapper working with South Coast Air Quality for the last five
years. I had the pleasure of being here yesterday and
listening to the testimony. And by listening to that, I
actually come to the conclusion that the hardest part is
for you guys sitting there and listening to all the
documents and everything else, and make decisions on such
difficult subjects. The subject of old vehicle scrapping
is subject of people. We are dealing with the other end,
which are the receiver of these vouchers and money. And
there are people sitting there at low income and they're
in need of receiving this.

I've done this for four years. The first year
that we started not knowing enough about how does the
system work. We have proposed at least six times in six
different ways to add the replacement to the scrapping
program, because of the need that was obvious to us, as we
have experienced this firsthand with people who turn in
their vehicle.

It makes sense. It's a good program. And
everything in this is going to help the environment and
there is tons of documents today that there is more
attention paid to it, that is actually directing that.

I have to be very quick here. Now, what's
happening with AB 118, in a sense, I do support the idea.
But the way it is implemented is completely wrong. There
are three elements in it. The only way I can do it in a
A person who has a car that is valued between $650 to $1,000 is offered $1,000 to scrap his car. In addition to that $500 for the low income. Addition to that, $2,000 to buy another car. Addition to that, another $500 if it is low income.

Now, that is not enough to actually present a large community of people to come in and do it. They added to that taking off the registration requirement, which was actually one of the basic VAVR element to add to the value of the vehicle, to actually evaluate it as something that has environmental value and that is removed.

The second one removed is a Smog Check. Now, by removing the Smog Check, you also are removing the examination of the vehicle to be a driven vehicle. And once you give that to the scrapper, the scrapper's view of a car coming in to the scrap is a scrap. In other words, a scrapper does not continuously examine that car to be a driving car. They take it in as a scrap and it is a scrap.

Those two elements together make sense for the program that BAR runs, which I support. And I think the money have to go directly to BAR and have them do it.

Thank you.
CHAIRPERSON NICHOLS: Mr. Peters.

MR. PETERS: Hello, Madam Chairwoman and Board.

I'm Charlie Peters. Clean Air Performance Professionals.

We represent a coalition of motorists.

When AB 118 was being considered in the Legislature, I did not think it was a good idea. I believe the language that you're dealing with today probably was added right at the very end of the session, because the bill became quite contentious is what I recall.

I have become aware that back in '92, I believe it was, when the car crushing credits were created, there was a huge concern by Fed EPA that these programs were very subject to fraud. I see no efforts to look at remaining useful life to find out what it takes to make these cars environmentally sound. The real problem is the fact that the transmission is bad and it takes $4,000 for a transmission.

And so we've got $2 billion going into this bill. And the Triple A Southern California, when the bill went to the Governor to be signed, said the bill was unconstitutional. So we're going forward with the public's money, when I think, in fact, we could consider the possibility of a secret shop or quality audit to add to Smog Check and we could reduce fleet emissions in
California 1,000 tons a day and not spend a thing. As a matter of fact, if we do it properly, we'd cut the current cost to the public in half, if we did it right, and we wouldn't have to spend any of this money.

And with the current financial situation in the State of California, I do not think you should go forward with this. It deserves further consideration before it goes forward. And the current proposal, in my view, is not appropriate for California.

Thank you, Madam Chairwoman. I'd be happy to answer any questions.

CHAIRPERSON NICHOLS: Okay, thank you.

Norman Plotkin and then Jonathon Morrison.

MR. PLOTKIN: Good morning, Madam Chairman and honorable Board members. Norman Plotkin, representing the California Automotive Wholesalers Association, the Automotive Aftermarket Industry Association, and the LKQ Corporation.

While the aftermarket preference is to repair and retrofit these vehicles, and we've stated this throughout the workshops, we understand that this is about retirement. Although, we view the repair and retrofit as a low-cost alternative for transportation for those who couldn't otherwise afford a newer car with smart sensors and on-board diagnostics and now even smart glass. Who

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But we note that in working with on the cap program with your staff and with the BAR staff, that they have, in fact -- they've retired 22,000 vehicles last year under this program, but they've repaired 44,000. So we're encouraged by that.

But this program is meant to build on the retirement of the current program. So while it may appear confusing, it's fairly simple that you're just applying more monies on top of the current program. And the way we understand it is, BAR is to be the gate keeper. And the change practically is that it's on-cycle versus off-cycle. So under the current program if you've failed smog, you're driven into this program. Under this program, you don't have to be in a Smog Check cycle to qualify. So we don't think that's a bad thing.

So, again, this program is about repair -- I'm sorry, about retirement and not about repair. And that's fine. We're here to support that idea, to reduce emissions through retirement. But the missing part is the success story and the sustainability of automotive recycling, which began shortly after Henry Ford began, you know, the process for the assembly line. So we've been recycling vehicles since automotive inception. And recycling has improved in the last number of years greatly.
with technology. Vehicles today are recycled. Almost 84 percent of the vehicle is recycled.

And so while it's important to remember that this is a voluntary program, so these vehicles -- people will be given the opportunity to retire their vehicle and they'll be reached out to through various means, but they don't have to do this. And so not only that, some of these vehicles, without the sensors and for all the reasons you're trying to retire them, their cousins are still out on the road and being driven by people who aren't willing, for emotional or market reasons, to retire their vehicle. And so when their parts go bad, it's important that you -- they have the opportunity to be able to purchase recycled parts that, for example, drive shafts and axles and heavy parts that require heavy manufacturing that would otherwise have to be manufactured.

So the recycling of these parts, if allowed, displaces heavy manufacturing and reduces commensurate greenhouse gas emissions.

It also reduces significant landfill contributions. If you allow bumpers and door panels and other types of things to be recycled from these vehicles, there are added societal benefits. Now, I raise this because recently Cash For Clunkers was passed at the federal level. And there is compromised legislation -- in
that legislation, that allows for a certain amount of recycling. We have comments. We filed them. We propose a win-win for limited recycling from these vehicles.

CHAIRPERSON NICHOLS: I let you finish, because you didn't get to your bottom line. So your bottom line is you want us to add a provision that allows for some recycling of parts.

MR. PLOTKIN: That's right. And it tracks with the federal legislation that was just signed on Wednesday, so we're not creating any new -- thank you.

CHAIRPERSON NICHOLS: Thank you.

Okay. I think that's an interesting point.

Okay, Bonnie Holmes-Gen and Bill Magavern.

MR. MORRISON: I think Jonathon Morrison first, right?

CHAIRPERSON NICHOLS: Oh, I'm sorry, Jonathon, excuse me. I apologize.

MR. MORRISON: No, problem. I'm Jonathon Morrison, California New Car Dealers Association. I represent the new car dealers who sell the world's cleanest cars. We sell cars that actually, in certain areas, have emission systems so clean that they make the ambient air actually cleaner. So we sell the cars that you guys want on the roads.

And I came here -- you know, we were actively
involved with 118. We think it's a very good program. I
came here to commend CARB staff. They did an excellent
job, with one exception, which we just learned today,
which is they've put in an amendment prohibiting the
combination with the federal Cash For Clunkers program.

I'd like to raise a few comments regarding that
just very briefly. First of all, the Cash For Clunkers
program is set to expire November 1. This regulation
isn't going to even be effective until January 1.

Probably won't be really fully in place until quite a bit
later.

However, there's a lot of rumors going around
that the Cash For Clunkers program is going to be
expanded, perhaps on the -- based on the Feinstein bill,
which would create further greenhouse gas emission
reductions.

It doesn't really make sense to us why you would
actually prohibit -- I mean, I understand there are some
concerns with how the programs would work together, but
prohibiting these programs from working together doesn't
really make sense. The federal bill specifically states
that these voucher programs can be used in combination
with the State programs. I mean, these are dollars that
have been appropriated. These are dollars that are going
to be spent. And by saying that we can't use these
federal dollars in combination with the State dollars, I mean, basically you're saying that we'd rather have these dollars go to replace a work truck in Indiana than to buy a new Prius in California.

That seems to me to be, you know, cutting off your nose to spite your face. And actually, you're not even spiting your face, you're just cutting off your nose. It doesn't really seem to make sense.

If we combine these dollars, people are going to be able to buy new cars. I mean, the federal dollars only go toward new car purchases. And, you know, this would put people in cleaner cars. You have a potential of $8,500 down payment. This would be the difference between somebody buying say a 2006 large sedan that doesn't get very good mileage, doesn't have the best emissions technology. This may allow that person to buy a new Prius or one of the new Ford Fusion hybrids. I mean, these are clean cars that will take people who otherwise wouldn't be able to qualify for this purchase and potentially put them in those vehicles.

Another issue is, if you prohibit these programs from working together, you're going to actually be in competition with the federal program. The federal program allows up to $4,500 for a replacement vehicle. The BAR program offers up to $4,000 for a vehicle, but only if
you're income eligible.

Most people are going to avoid the State program, potentially leaving this SIP program to fail. And, you know, how are you going to measure those SIP credits from a federal program? I don't know if there's any infrastructure in place.

Anyway, we'd urge you to open up the program to allow for a combination.

CHAIRPERSON NICHOLS: Thank you.

Bonnie Holmes-Gen now followed by Bill Magavern and the last witness is Andy Mabutol from Mitsubishi.

MS. HOLMES-GEN: Good morning, Chairman Nichols and Board members. I'm Bonnie Holmes-Gen with the American Lung Association of California. And we're pleased to be here to support and express our support for this proposed enhanced fleet modernization program. We think this is an important strategy to accelerate the turnover of older, high-polluting vehicles and to reduce lung-damaging smog exposure to make progress toward our SIP commitments. And to substantially boost the number of cars that are being retired through existing State and local programs. We think that's very -- going to be a very helpful element to our state's smog strategy.

I did want to make some points. We supported the AB 118 legislation to collect the fees and to put this $30
1 million into the enhanced car scrappage program. So we're
2 pleased to see this program getting off the ground. And
3 we do support efforts to make sure that this program is
4 run as cost effectively as possible.
5
6 We support focusing the voucher program first in
7 Los Angeles and the valley areas with the highest
8 pollution in the State and hope we can eventually expand
9 it to other areas.
10
11 And we also support the Board proposal to require
12 cars to be fully scrapped in order to get the credit
13 toward a newer vehicle. And we think this part of the
14 program is essential to ensure that we're getting the
15 maximum emission reductions from the program.
16
17 We support the concept of recycling, but I think
18 it's going to be very difficult to ensure that we're only
19 recycling door panels, and we're not recycling engine
20 parts that could turn into smog emissions -- unexpected
21 emission increases in other vehicles.
22
23 We agree with the point -- we strongly agree with
24 the point raised by Board Member Sperling and discussed
25 earlier about designing the program to achieve both air
26 quality and greenhouse gas emission reduction goals. And
27 we think this can be done without too much complication.
28 We supported, along with a group of other environmental
29 and health groups, adding a 35-mile per gallon standard
for the new cars that could be purchased with the voucher. But, you know, we agree with your line of discussion here about trying to make sure this program tracks with the Pavley standards, in terms of the new cars that would be purchased.

And we've also supported using the vouchers for public transit. It was mentioned by Tom Cackette in some of the reviews of other scrappage programs, that some people do scrap a car and take public transit and we should support that.

So if those vouchers could be turned in for public transit passes, we think that would also be an air quality benefit.

And we do support the staff proposal to include unregistered vehicles, as long as there is clear criteria to ensure those vehicles have been regularly driven. And maybe there could be a point where this aspect of the program is reviewed to determine how it's working and make sure that it is working effectively.

But as long as those vehicles have been driven regularly, you know, then there certainly is an emission reduction benefit. If it's too difficult to prove, you know, that would be a problem, but we think the staff could look into that a little further and make sure we can get some clear evidence.
Thank you very much for the time to comment and appreciate your work on this.

CHAIRPERSON NICHOLS: Thank you.

Good morning.

MR. MAGAVERN: Good morning. Bill Magavern with Sierra Club California, in support with a couple amendments that I'll talk about. First of all, we supported AB 118 and we compliment the staff on designing a well targeted program for implementation. We have, over the years, supported a number of well designed scrappage programs, because they are cost-effective ways of improving air quality. As you know, as our new vehicles have gotten cleaner and cleaner, a higher and higher proportion of the emissions come from the older and worst performing vehicles on the road. And this is a way to try to get at some of those.

This is well targeted, because it complements the existing programs, which apply only when you fail the Smog Check. This brings in not only high-polluting vehicles but also the pre-76 vehicles that are not even subject to Smog Check, as well as diesel, which is also not subject to Smog Check.

This program, by the way, is much better designed than the one that Congress just passed, which is not nearly as well targeted.
In terms of amendments, Bonnie talked about both of these. We really think that in the pilot programs, receiving compensation in terms of a transit voucher should really be eligible. We have no problems with people buying clean efficient vehicles, but we think for those who choose to give up their cars or give up a second car, or a third car and use public transit, that that choice should be available for the consumer.

The State of California really has not treated public transit well lately. And there's not much you can do about most of that. But you can at least give transit parity when it comes to these pilot voucher programs. And really, we all know that to get to our greenhouse gas reduction goals and our clean air goals, we're going to need to do a lot better in terms of transit.

I would note that Senator Feinstein's bill in Congress includes a transit option and also the bill authored by Assembly Member and former board member, Jerry Hill and sponsored by the auto industry, includes a transit option. So it's not a new or radical idea.

We also support the idea advanced by Board Member Sperling that we have an efficiency or greenhouse gas criteria. This is primarily an air quality program. We completely support that, but when possible, we should align our air quality policies with our goals to reduce
greenhouse gases and petroleum dependence. And this is a situation where I think we can accomplish all of those, and therefore, we really should. And I think your discussion so far on that has been very encouraging.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Mr. Mabutol.

MR. MABUTOL: Good morning, Madam Chair and Board Members and ARB staff. I am Andy Mabutol, Senior Engineer with Mitsubishi Motors.

We also support this proposal as it is a significant progress in reducing criteria pollutants. We ask that if a fuel economy standard or requirement is added, it should be parallel to the federal Cash For Clunkers program, including State incentives to be used in combination with federal incentives.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

I believe that concludes all oral testimony. And we have written submissions as well as staff comments that have been entered into the record. I don't think there's any reason to extend the public comment period, so we'll close the record on this portion of Agenda Item 09-6-7. And any further comments that are received after this comment period will not be part of the official record at
this point.

As we move towards reviewing the resolution and making any changes, are there any ex parte communications that board members need to disclose on this item?

BOARD MEMBER SPERLING: Norm Plotkin, I believe sent me some Emails and talked to me after the meeting yesterday about his testimony. That was it.

CHAIRPERSON NICHOLS: Okay. Any others?

BOARD MEMBER BERG: I might have received an Email, but it was very late, and I didn't open it. I didn't have time to read it.

(Laughter.)

CHAIRPERSON NICHOLS: I don't think that counts.

BOARD MEMBER BERG: So I don't think that counts.

CHAIRPERSON NICHOLS: It's only if you actually received the information in some sense.

All right. Thank you.

You have before you Resolution 09-44. Do Board members wish to put this on the table and begin discussion?

BOARD MEMBER D'ADAMO: Moved.

BOARD MEMBER BALMES: Second.

CHAIRPERSON NICHOLS: Moved and seconded. All right. Then we can get into any possible amendments. So we've already asked the staff to look at a couple of
issues. One being how we can fold in protection against, at a minimum, making our CO2 emissions problem worse as a result of this program. And also this issue about the unregistered vehicles, which I'm finding very troubling. I mean, if there was no use for this money and we were trying desperately to give it away, that might be one thing, but if we've got money that's targeted towards vehicles, I'd like to target it towards legally registered vehicles, if at all possible.

Yes, Ms. Peter.

CHIEF COUNSEL PETER: Chairman Nichols, I was looking at this extremely long complicated poorly drafted, you know, sentence that was read out loud. And I think what the -- there is an option in here. So clearly, we're trying to get emission reductions in California. So the first part of this sentence, which is Health and Safety Code Section 44125(a)(3) talks about vehicles that are continuously registered in California for two years. So that's obviously a group of vehicles we're targeting. The option then goes on to say, and this is where it's poorly drafted, there's an exception. If you registered it somewhere else, if you registered it in Nevada, Colorado, whatever in the last few years, you're out. That's like a disclaimer.

And then it's "...or otherwise proven to have
been written in California." And I think that goes not to
the fact that, you know, you were driving it illegally,
because I agree with Dr. Telles, people aren't going to
come in and say that. And we don't want to encourage
that. But I think what it's going to -- so, for example,
I have a vehicle and I was driving it and, you know, it
died. And I did not register it in 2008. And it was
parked. And I've been trying to get money together to fix
it. So I get it fixed. I register it in 2009. I drive
it, you know, for 11 months and it dies again. And I
don't want to, you know, fix it anymore. I want to turn
it in. I want to take advantage of this program.

You would not meet the 24 months of continuously
registering in California, but you have been driving it in
California and you have -- and so I think the second part
of this phrase is to get at potentially some of those
limited kinds of things. So you could actually say it has
to be currently registered. It just does not have to be
registered for 24 months. And I think you're meeting the
legislative intent of the legislative language, and what I
understand, is the intent to, you know, have them not have
to be registered for 24 months. And you wouldn't be
bringing things in from other states, because there's a
prohibition that if it is registered in Nevada or --
CHIEF COUNSEL PETER: Right, then you're out. So the only way you would get into the second part of the sentence, which is quite narrow, is if it's, you know, if it's --

CHAIRPERSON NICHOLS: Currently registered but wasn't continuously registered during that 24-month period.

CHIEF COUNSEL PETER: Correct, that's what I think is a --

CHAIRPERSON NICHOLS: Well, that would satisfy my concerns. I see some nodding here.

BOARD MEMBER TELLES: Well, it still doesn't satisfy mine, because I think a vehicle like that, you give an example of, that runs every two or three months and it breaks down, isn't a vehicle that's out being driven for a large number of miles that is emitting a lot. I think one of our responsibilities to approve something that really reduces emissions, and the examples that I hear just aren't -- they just don't impress me as something that is significantly going to reduce emissions for the amount of money spent here.

CHAIRPERSON NICHOLS: Well, we can continue this discussion. You know, it depends what months it's driven in. It depends how many miles it's driven, when it's...
driven. I mean, there's a lot of factors here that would
make you decide whether a car was the biggest emitter out
there.
BOARD MEMBER D'ADAMO: I'm actually comfortable
with what Ms. Peter outlined, in that we're talking about
very limited circumstances here. And if the car is not
continuously driven, but is registered and is driven for a
part of that period, not to allow them to participate in
this program would actually encourage them to go under
ground. And, you know, at that point, it falls in the
category of illegal, you know, registration anyway.
CHAIRPERSON NICHOLS: Right, I agree.
All right. Well, I'm prepared to suggest an
amendment to the resolution then that deals with further
defining eligibility to those cars that have been -- that
are currently registered at the time that they come in if
I see enough support for that to add that amendment there.
Yes.
BOARD MEMBER BALMES: I'd like to also propose an
amendment to allow the vouchers to be used for public
transit, if there's not a technical problem with that.
CHAIRPERSON NICHOLS: Does staff have a --
CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
the -- we may not have thought this through fully. But
the concern would be much along a similar argument that
Dr. Telles was making, which is how would we know that the person that scraps it just doesn't -- wasn't already using transit, and this just continues -- the money would therefore be used to pay for continuing use of transit. There would be no net emission reduction.

The ideal criteria would be we somehow know that you never used transit. You scrap your car, take your voucher, and you buy a year's worth of transit tickets, then we know that that would be good.

But I don't know how to avoid the problem of someone just saying we'll, I already use transit - I mean, lots of us do -- and this just is, you know, extra money that goes back in the pocket and doesn't reduce emissions.

So it's up --

CHAIRPERSON NICHOLS: Well, if you've got an older car that you're bothering to keep registered, it suggests that you're using it at least some of the time or you wouldn't bother to pay to keep it registered, I wouldn't think. So just getting that car scrapped is still positive.

CHAIRPERSON NICHOLS: Yes, what do you do with your money?
CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: My point was, I drive my car as kind of a junker. I probably should get rid of it, but I take the bus to work. And I pay $100 a month to take the bus to work.

CHAIRPERSON NICHOLS: So we're rewarding you for getting rid of that junker.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: With $1,000, right. But we're giving you an extra $2,000, which you're now going to just spend buying the transit pass that you were already buying, and that doesn't reduce emissions.

CHAIRPERSON NICHOLS: Sends a good message to the transit system.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, that's the only concern I would see.

BOARD MEMBER D'ADAMO: Why would we want to insist that someone buy a car?

If they don't want to buy a car, we --

CHAIRPERSON NICHOLS: We are paying them a scrappage fee. It's the voucher that's the question.

It's the added money.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It's the extra 2,000 or so.

CHAIRPERSON NICHOLS: Yeah, I understand the point. That is a little bit different. You're entitled
to your scrappage subsidy.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: This goes back to like the problem we had with giving incentives to forklifts, you know, because we didn't know people weren't just -- already had an electric forklift and then we gave them an incentive under Moyer and they bought another electric forklift. That didn't do any good. And so we tried to say well, only put it in the areas where there's not too many electric forklifts, so we know you're buying -- you're getting rid of a gas one to go to electric, that was good.

But it's just avoiding sort of just using the money for something that's already occurring that would be the one issue of consideration here.

BOARD MEMBER SPERLING: I mean, if they don't buy another vehicle, I mean, that would, you know -- you're looking into the future. But, you know, perhaps if they -- I don't know legally or even an enforcement sense how you do this, but, you know, they write a statement, they're not going to buy a vehicle to replace it in the next two years, and -- you know, I don't know --

CHAIRPERSON NICHOLS: But I think the choice is really to have the money go back into the fund into the pot, so it's available for more people. That's really what the question is, is are we going to spread this

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voucher money around more broadly.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I mean it would be great if we absolutely knew someway that the voucher money would cause someone who was not taking transit to take it, that would be wonderful and that's what the commenters are suggesting. I'm just saying, I don't know how to assure that with any confidence that it just doesn't get spent on people that already have a bus pass. So now they're getting a free bus pass.

BOARD MEMBER SPERLING: Well, I'd like to add actually something -- if we can resolve that, I'd like to expand even that transit to say transit and paratransit. And what I would include in that is the money could be used for car sharing, could be used for some of these more innovative dynamic ride sharing programs, where, you know, kind of smart car pooling. And if you did that, that would, you know -- in a sense, that really provides a higher level of mobility and provides more assurance that they're not going to buy that vehicle.

CHAIRPERSON NICHOLS: Do we have time to both check out the Feinstein bill language and do a little further work on this during the comment period, the 15-day period?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, certainly. And just to comment on what Dr. Sperling said.
I mean, that would be a case where, since very few people use car sharing at the moment, there would be a high probably that if you spent money on that, it was something new and incremental and surplus to what was being done. So that -- my comment would -- I have a lot less trouble with that, than I think the question of the bus pass. I mean, we can do it either way. I just wanted to point out that we might be spending money that wouldn't gain any extra emission reductions.

BOARD MEMBER SPERLING: I'm willing to take a chance -- I mean, you know, as we look into it, I just -- in principle, I'd say, we should be willing to take some chances on this and be willing to accept some sloppiness perhaps in the program, because this is really in support of so many of our goals here, you know, in terms of greenhouse gas reduction, public health.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, maybe what we could do -- I mean, thinking about this, this is a pilot, and the money was only $6 million this year. We think, if it's successful, it would be a greater percentage of the 30 million, so maybe we could just try to figure -- try to do a survey or something to figure out what people did, ask them if they did have a bus pass before, figure out some percentage, you know, of people that really took new transit and --
CHAIRPERSON NICHOLS: I think that's a good suggestion actually, since we're dealing with the pilot program part of this, is to target it towards behavior shifting purposes and then do the evaluation to see what happened, ask people to tell us what happened or follow-up as best we can after the money, and then we will have something to work with when we come back next year.

BOARD MEMBER SPERLING: And we would actually provide the funding for transit and car sharing?

CHAIRPERSON NICHOLS: Yes, during the pilot period.

BOARD MEMBER SPERLING: I think that's a great idea.

CHAIRPERSON NICHOLS: I see sufficient nods.

Excuse me, yes, with a review at the end of the year.

All right. I see that amendment moving forward.

What else? Oh, the Pavley piece of this.

BOARD MEMBER SPERLING: So now I would -- a minor revision of what that would be is I saw Chairman Nichols kind of with a quizzical look when I suggested the light-duty and the car. And I actually on thought -- on rethinking that, I would be happy sticking with just that the requirement be that it meet the car Pavley number for the year in which the purchase takes place.

So now any -- so it would be 2009, I guess that's
29 or 30 MPG equivalent. So any vehicle that's purchased, it can be a pickup. It can be an SUV, but it would have to meet that 29 or 30 MPG, whatever the Pavley is and --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And we would use that same number for years when there wasn't Pavley prior years?

BOARD MEMBER SPERLING: That's right.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Sure, that works.

CHAIRPERSON NICHOLS: Well that accomplishes our goal clearly.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think that -- I don't see any administrative problems at all doing that.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: No. We can administer that.

BOARD MEMBER BERG: I just have a clarifying question, and that is enough vehicle choices for the person turning in the car. I have no sense of this. They have lots of choices?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, for the Pavley 2009, it would essentially mean that half the cars qualify and probably none of the light trucks. So it would be a quarter of the vehicles, roughly, would qualify. It would probably be somewhat less than that
the up to eight years prior to that, because the fuel economy was somewhat lower, although, not much. And there was a bigger fraction of trucks, and the cars weren't as clean as they are in 2009. They're not as low emitting, so there would be something slightly less than 25 percent, but that would be -- the pool would be restricted to probably a quarter of the vehicles.

CHAIRPERSON NICHOLS: But for a lower income person not having to bear the cost of using more gasoline is an advantage too.

BOARD MEMBER BERG: And I think as this is a pilot program, maybe that just can be one of the keys for you to look at. If it is an impediment to the program, maybe you could bring that back to us.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: We'll find that out.

BOARD MEMBER BERG: I'm in full agreement that we should have some standard to be able to assure that we're also accomplishing our greenhouse gas objectives. And so I would just put that on our review list.

CHAIRPERSON NICHOLS: Okay. Are there other amendments that anyone wanted to offer at this point?

Yes.

BOARD MEMBER TELLES: No amendments. I just have a few questions still. If this money is not used, what
happens to it?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,

if it's not --

BOARD MEMBER TELLES: If this money comes from,

if I understand it --

CHAIRPERSON NICHOLS: 118

BOARD MEMBER TELLES: -- it comes from motor vehicle registration, but what happens to it?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It goes back to the --

CHAIRPERSON NICHOLS: To that account, I believe.

MS. BLOOD: The money would go back to the fund.

Hi, Tonya Blood, Consumer Assistant Program Manager with the Bureau of Automotive Repair.

BOARD MEMBER TELLES: And then what happens to it there in the fund?

MS. BLOOD: It stays in the fund.

CHAIRPERSON NICHOLS: To be reappropriated at some later point?

MS. BLOOD: Yes.

BOARD MEMBER TELLES: You can test -- I mean,
tell that I have some objections based upon the fact that there's a tremendous amount of uncertainty, whether these vehicles that are going to be removed really are going to be driven enough to make the emissions reductions
worthwhile. And I still think that that's a major issue of this thing. Recently, we had this same issue at San Joaquin, and I voted against a provision there. And I should mention that we had a provision like this going. And in the first year of it, less than ten percent of the money was used because it wasn't attractive to the potential participants.

And so the program was redesigned and a large fraction of that money is going to go into advertisement for the program to make people aware of it, but even then when I asked the same questions there, you know, where did you get your numbers on how much emissions are actually going to be reduced by doing this, the numbers to me are very flimsy. If you're using data from ten years ago, behaviors have changed. And I just don't feel justified in spending this kind of money for something that may have very, very limited emissions reductions. And I think the cost benefit here is just not demonstrated enough for me to go ahead with this.

CHAIRPERSON NICHOLS: Well, I appreciate your comment. I think one of the things that is constantly an issue with these programs dealing with emissions from older vehicles is that nailing down with precision the exact emissions from a car in the real world is one of the more difficult art forms that there is. We've been
working on improving our models and improving our testing for as long as I've been involved in this field, which is a very long time.

And I think that we're on the right track here, in terms of what we're targeting. Clearly, the legislature had a goal in mind, which was to enhance fleet turnover here. If we're wrong, obviously the money can go back and be better used again. But I think we have pretty good reason to believe that this will actually get to the cars that we want. So I'm prepared to move forward at this time if the rest of the Board is.

We can do this, I think, with a voice vote. We have a resolution in front of us to oppose the guidelines for AB 118. And we have a motion and a second.

And we have several amendments, which I believe we all understand.

So with that, we'll just ask for a vote. Would all in favor please say aye?

(Ayes.)

CHAIRPERSON NICHOLS: Opposed?

BOARD MEMBER TELLES: Oppose.

CHAIRPERSON NICHOLS: Okay. With one dissent.

Thank you.

All right. Let's move on then to the next item, which is our update on outreach and funding for truck
owners.

While the staff are assembling for this item,
I'll just mention that this is just an informational item.
There's no Board action requested at this time. But it's
an important issue that I think the Board is very
interested in hearing about.

In December of 2008 we adopted a truck and bus
rule and heavy-duty vehicle greenhouse gas rule. And at
that time, we directed staff to simplify access to the
funding assistance programs that we were told were out
there.

We also asked staff to reach out to affected
truck owners to increase their awareness about ARB rules
that affect them and about the funding assistance programs
that are available to them. Although, the available funds
cannot completely fund all the compliance costs, we do
have considerable resources to assist industry and
especially smaller fleets.

So this Board is extremely interested in hearing
how staff is progressing on this direction to increase
awareness of our rules and the funding programs.

Mr. Cackette, would you please introduce this
item?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes, I
think we'll just go directly to staff. Chandan Misra for
the Planning and Technical Support Division will make part
of the presentation and Jessica Dean of the Mobile Source
Control the remainder of it.
(Thereupon an overhead presentation was
Presented as follows.)
MR. MISRA: Thank you, Mr. Cackette. Good
morning, Chairman Nichols and members of the Board.
CHAIRPERSON NICHOLS: Good morning.
MR. MISRA: In this series of staff updates over
the last six months, we have discussed a number of changes
to the truck incentive programs to simplify and improve
access to funding. With much of the program alignment
completed, we have shifted our focus to a comprehensive
coordinated outreach effort. The purpose is to increase
awareness of all of the regulatory requirements for trucks
and related equipment, as well as the funding that may be
available to truck owners to help them with early
compliance.
One of the challenges is to reach and assist
independents and owners of small truck fleets, who are
often unaware of ARB rulemakings or California's growing
list of State and local incentive programs.
We have expanded the kinds of a financial
assistance available to serve these struck owners and have
developed new tools to reach out to them.
In our report today, we'll describe how these efforts are going and the feedback we are receiving.

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MR. MISRA: All of the funding assistance and outreach activities that we will discuss are key to the success of the ARB's truck regulations and their ability to deliver the expected health benefits.

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MR. MISRA: Since our last update, two new incentive funding options have come on-line: Vouchers for new trucks and loan guarantee program. These supplement the existing incentive programs shown here. We will briefly review the funds available in each program along with the current status.

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MR. MISRA: We are working with the local agencies to restart the goods movement and the school bus projects covered by the $194 million or Prop 1B monies that ARB received this spring. Of the $78 million in the Carl Moyer Program, ARB has earmarked a portion of funds for the truck vouchers and districts will use additional funds for other types of truck projects.

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MR. MISRA: The streamlined voucher program has
$15 million available to help small fleet owners scrap old
trucks and purchase new ones. The San Joaquin Valley Air
District has already issued the first vouchers. ARB is
providing training to other districts and participating
dealerships across California.

We have finished development of the voucher
program for the hybrid electric trucks as well. When ARB
receives funding through the budget, we will be ready to
launch the program. The PLACE program is helping small
businesses gain access to financing through State funded
loan guarantees. Lenders from Chico to Irvine are
participating in this program. Many will lend to
borrowers statewide and the list of participating lenders
is growing. The first loans under this program have been
funded.

Whether implementing the new elements or the
long-standing Moyer program, ARB must work in partnership
with local agencies to deliver truck incentives.

MR. MISRA: California's air districts have a
successful history of working directly with local trucking
fleets to provide incentives for faster cleanup.

The air districts and ARB share the same
challenge of adapting the incentive programs to reach and
accommodate the needs of independents and small fleets.
We have begun working with the major air districts to coordinate our efforts and improve access to funding for all truck owners. The Sacramento District has been a leader in reaching out to small fleets by taking the information to them. The District brought an emission reduction information center to the busy 49'er Truck Plaza off Interstate 80. ARB and U.S. EPA added co-funding for truck upgrades and financing. Working in tandem, ARB and the districts are mobilizing to get funding out to port truck owners to help them upgrade this year, prior to the 2010 compliance deadline in ARB's rule.

To bring cleaner trucks to the Port of Oakland, the Bay Area District is aggressively recruiting and funding retrofit projects with local monies now. Additional Prop 1B funded retrofits and replacement projects will follow this year.

And earlier this month, the South Coast District agreed to assume management of the Prop 1B grant from the ports of L.A. and Long Beach to help deploy nearly 1,000 clean drayage trucks this year with the available bond funding.

We expect the District to offer truck owners the choice of Prop 1B only funds for a new diesel truck or a larger mixed funding grant for a new natural gas truck.
The new trucks will not be charged gate fees to access the port, regardless of the fuel type.

Let's turn our attention to the outreach program.

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MR. MISRA: The primary objective is to provide straightforward information to truck owners that covers both the regulatory and incentive aspects of the truck programs. This effort puts the truck owners at the center of our efforts and frames are outreach materials from the perspective of what information they need to know and how they can access it.

With this comprehensive assistance, a truck owner is in a better position to understand his or her choices. The main audience for the outreach program is the small fleet owner and the independent owner/operator. These groups often do not belong to trade associations and have limited resources to research information on regulations and incentives. Of course, the larger fleets and companies also benefit from the expanded outreach tools.

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MR. MISRA: Truck owners have been getting information on regulations and incentives from various sources, including those shown here. While the previous outreach tools were functional, they often weren't consistent or comprehensive.

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We are working to change that. ARB is designing and producing new written materials for distribution through a wide range of locations. Because all of these partners are coordinating and have the same materials available, the truck owners will receive consistent information regardless of the access point. Additionally, with the choice of multiple access points, truck owners can get the information that's most convenient for them. This means we will reach out to more truck owners and it will be easier for them to access information quickly.

And now, I'll turn it over to Jessica Dean who will provide an overview of various outreach tools developed as a part of this effort.

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MS. DEAN: Thank you, Chandan. ARB has several outreach tools, each capable of delivering cohesive information about regulations and funding assistance to affected truck owners. Our experience in implementing the off-road fleet rule indicates that multiple training sessions throughout the state reach a significant number of fleets. And, open dialogue with an advisory committee of diverse stakeholders has yielded fruitful suggestions on topics varying from outreach to reporting and beyond.

We've taken steps to mirror the successful approach in implementing the on-road regulations and will
continue to seek other trucker-focused outreach methods as well.

We've also developed three new tools to assist in communicating with truck owners. We've designed these products so that no matter which way we connect with the truck owner, he or she will get complete, consistent information about the rules and potential funding options that apply to his or her fleet. So what are these tools?

Let me show you.

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MS. DEAN: By dialing 866-6DIESEL, truck owners can access information covering all aspects of ARB's truck rules, as well as the off-road fleet rule. In developing the new truck rules, local air district staff and ARB staff identified several non-English languages spoken by many truck owners. Our hotline provides personal service in four of the most popular languages. Our hotline staff has fielded over 250 calls per week, assisting over 1,300 callers since we expanded this resource in mid-May.

Over the past month, most callers have been asking basic questions about the statewide truck and bus rule, transport refrigeration units and incentive funding. Four out of five callers have basic questions we're able to answer in less than ten minutes. The remainder of the calls are referred to staff specialists for more in-depth
We track call statistics so we can provide responsive service. We plan to implement a feedback survey to meet the evolving needs of truck owners. We'll continue to refine the hotline based on user statistics and feedback.

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MS. DEAN: Our new website is designed to be straightforward and easy to navigate. A truck owner answers a few basic questions about his or her fleet and gets a personalized list of regulatory requirements and potential funding options. From that list, they can access more specific information about only the regulations and funding programs that apply to their unique situation.

Initial feedback has been positive. The dealers and installers we spoke with agree that this tool will be helpful for their customers, the truck owner. The truck owners we spoke with also expressed enthusiasm for the site.

Users have suggested expanding the site to include multiple languages and link up to local agency funding programs. We're excited to explore these options and further develop the website to make it even more useful.
MS. DEAN: Truck owners can also access information through our latest printed brochure. It explains basic requirements and deadlines of all truck related ARB rules, as well as basic funding assistance eligibility criteria. This booklet compiles the information into one easy-to-understand handout, instead of eight or more individual pamphlets.

In addition to their regular duties, ARB field staff have personally visited over 300 fleets throughout the State in the last month, primarily small fleets. We solicited input on the type of information that would be most useful in this sort of publication. Truck owner comments have helped shape the content of this booklet and will continue to incorporate truck owner input to further increase its utility.

Now, let’s take a look at some of the examples of real truck fleets and the information they would get by using our new outreach tools.

MS. DEAN: Our first example is an independent owner/operator based in Salinas, California. He drives his 1992 truck from his home base in the central valley throughout the valley hauling produce. His truck is subject to the statewide truck and bus rule for small
fleets.

Under the rule, at minimum, he would have had to replace his 1982 truck by January 1st, 2014. If he had chosen to wait to replace it with the oldest compliant vehicle, then he would have had to replace it again by 2019. Choosing a newer replacement vehicle extends the required replacement date. Because he owns a single truck and his vehicle is relatively old, he would be eligible for the widest variety of funding assistance, including Prop 1B funds, Moyer truck vouchers, PLACE loan guarantee assistance, and perhaps other local district programs.

This truck owner decided to act quickly and apply for the early grants offered through the Prop 1B program. He received a $50,000 grant from the San Joaquin Valley Air District towards the purchase of a 2008 truck. He now complies with the rule through January 1st, 2022.

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MS. DEAN: Here's another real example. Greg Porte owns one 1993 truck that he drives in the central coast and central valley. He travels just over 30,000 miles per year hauling equipment to construction sites. Mr. Porte learned from his truck dealer that he needs to replace his vehicle by 2014, and that he could be eligible for a truck voucher and loan assistance.

Mr. Porte could have also gotten this formation
from calling the diesel hotline, using ARB's truck stop
website or contacting his local air district.

Mr. Porte decided to apply for a voucher towards
a compliant truck. He was approved for the voucher and
did not request loan assistance for financing the
outstanding balance of the truck. He'll soon be driving
his new truck that will be compliant until January 1st,
2023.

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MS. DEAN: So we've told you about a number of
exciting tools today and how a truck owner can use them to
get important information. In developing our outreach
plans, we've incorporated user feedback, but we know these
tools can be improved further. Feedback from truckers
will continue to drive improvements to ARB's outreach
tools. We will monitor the feedback mechanisms we've
built into the process, and incorporate further input.

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MS. DEAN: Above all, we want all truck owners to
have easy access to complete, regulatory and funding
information, so they can make informed business decisions
as they look towards the future. The efforts we describe
today are merely the beginning of our ongoing outreach
plans. We're exploring many other outreach methods to get
in touch with an even wider audience of truck owners.
Throughout the process, we'll continue to use this comprehensive approach covering all truck-related regulations and incentives choices.

Our local agency partners will remain a critical component of the outreach efforts. And, as we have in the past, we'll continue to evaluate the effectiveness of our funding assistance programs and adjust them where necessary.

While our outreach to the truck owners is far from complete, we've laid the groundwork to ensure we effectively reach them with useful information.

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CHAIRPERSON NICHOLS: Thank you. Okay. That was a conclusion that sounded like there might still be more to come.

Sorry.

MS. DEAN: Thank you for your attention.

(Laughter.)

CHAIRPERSON NICHOLS: It was very good. Thank you.

Okay. We have four witnesses who've asked to speak with us on this item to contribute some comments, so we'll start with Mark Loutzenhiser from the Sacramento Air Quality Management District followed by Chris Torres.

MR. LOUTZENHISER: Good morning, Chairman Nichols
and members of the Board, ARB staff. My name is Mark Loutzenhiser. I'm with the Sacramento Air Quality Management District. I am the program supervisor overseeing all of our incentive programs. So that's Moyer, Goods Movement, School Bus and also our local CCAP program as well.

I just wanted to stress the importance that we've seen over the years of running programs on communication with the affected communities. Up until recently, they were not as regulated, so it was more communicating just the incentive opportunities that are out there for them. With the regulations that have been adopted over the past one to two years and potential other regulations coming forward in the future, we continue to see this as a very critical and key component, in terms of making sure that the members of the public, whether they be -- in this case, the truckers, but all of the regulated community are aware of both what is coming forward, but also then the opportunities and the incentives that can be provided to them.

And so we recognize this key component and appreciate the assistance by ARB staff in getting this information out there, which includes definitely this website that was recently developed, the outreach material in many different languages. And also I wanted to stress
that they have been dealing both with ourselves and the
other air districts in terms of looking at what would be
good ideas for outreach. What we have found to be
successful to date. And we're looking forward both to
this current website, but also the evolution of it into
its next generation as we're able to implement and
contribute the local district programs that will be linked
to that website as well. And we have already been in
discussion with ARB staff on how to best implement that.
And that is something they are working forward with us on
that.

And so with that, I just want to again thank this
Board, thank the ARB staff for their continued outreach on
that. And we look forward to a continued successful
future with these programs.

CHAIRPERSON NICHOLS: Thank you very much.

MR. LOUTZENHISER: Thank you

CHAIRPERSON NICHOLS: Mr. Torres.

MR. TORRES: Good morning, Board and staff. Just
a few small short comments on the programs. These
programs are a good start. They're real good for the
smaller companies, and also for the companies in the
metropolitan areas, the ones that can use the Moyer -- I
mean, the CCAP program and the other programs, like the 1B
project.

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I come from an area which is up north. We're about 80 miles north of here. I have a small company. We've 12 trucks, employ 15 people. We are not eligible for any programs to help us update our fleet, because of the proximity of where we live and the size of our fleet.

We've been -- I've been proactive in purchasing new trucks to try to preempt this -- what's coming on to us now. We're saddled with the payments currently with the downturn in the economy.

We are approximately 35 to 45 percent less in income generation this year than we have been in the past, which is making it quite difficult for us to stay up on the payments.

My suggestion would be for the staff somehow to look at expanding the program into somewhat larger medium-sized companies, such as mine, because I know quite a few of my neighbors and people in the area that have more than three trucks that it would be beneficial to them.

The folks that work for me on a sub-haul basis, the individual owner/operators, are aware of the program. The outreach is getting there to them. They understand the programs. They understand the voucher systems, but they too are saddled with not having enough work. You know, we don't have -- we're 35 to 45 percent down on
work. We're also not able to hire those folks at a
permanent basis like we have in the past. So they're very
cconcerned about getting into payments to update their
fleet, their trucks to preempt what we have coming.

I'm also -- my other concern is, is that there's
funding available -- these programs are available, but
right now, I believe there's still -- the funding is
suspended. Has it come -- I'm not sure if it's came back
yet or not. And if it has, you know, I'm not aware of it.

But the time clock keeps ticking on the first
implementation of what you folks have given us last
September. And it's coming on to us, but there's not
enough funding out there. I just don't know if we can do
what you want. We all want to have clean air and whatnot.

Thank you for your time.

CHAIRPERSON NICHOLS: There was a stoppage on
funding coming in from the bond program at one point when
the State just wasn't selling any bonds. And then there
was a small amount released. And I'm not sure what the
latest plans are. Maybe the staff wants to comment on
that.

PLANNING AND TECHNICAL SUPPORT DIVISION ASSISTANT

CHIEF MARVIN: On the bond side - Cynthia Marvin - we do
have the second infusion of 90 million to roll into this
program, primarily for port trucks, and then also trucks
that travel through the central valley. I'm not sure
where this gentlemen's fleet travels. It doesn't have to
be trucks that are based in a major metropolitan area, if
most of the travel is through the central valley or the
bay area or the south coast.

CHAIRPERSON NICHOLS: Right. With respect to the
size of the fleets that's targeted, I know there's been a
struggle to define it, because there just isn't enough
money to go around. I don't know if you have any
additional thoughts about that at this point or not that
you'd like to add.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF

KITOWSKI: You're right. In some cases, we are limited by
the legislative language that we try to be -- that we're
responsive to and being surplus to the regulations. And
so, as was noticed in the presentation, small fleets three
or less, who have additional time to comply with the
rules, actually have the most incentive options.

But within Prop B, there are certainly some
avenues for larger fleets. And the loan program does go
all the way up to fleets of 20.

CHAIRPERSON NICHOLS: But again, people who are
having trouble making their payments, because of the
economy, are not really going to be helped.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF
KITOWSKI: Yeah, absolutely. We cannot help all of the folks, but we've tried to show flexibility within the legislative language, where we could and within the rule. I do want to make sure I make -- I would like to make one point.

Mr. Torres has been involved in our process all along and provided, you know, valuable comments along the way. I know that's hard for a fleet owner of that size to spend his time trying to mire their way through our process, and we really appreciate that type of feedback.

CHAIRPERSON NICHOLS: Well, thank you.

Steven Lujan and then Michael Paparian.

MR. LUJAN: Good morning. Thank you, Madam Chairperson, Board and staff. I'm Steve Lujan, branch manager here for Cascade Sierra Solutions. We're an outreach program from -- we have locations in Portland and Coburg, Sacramento, soon to be Seattle and soon to be Los Angeles.

We just want to tell you what a great job this website is and how it's really -- it gets rid of the rumors. It tells the owner/operators, the trucking companies really just the facts of what's going on. So we really support that and are using it in our centers every day. So great job with that. We just want to share our support with that.
So thank you again and have a great morning.

CHAIRPERSON NICHOLS: Thanks for all your assistance in this.

Mr. Paparian.

MR. PAPARIAN: Thank you, Madam Chair. Mike Paparian. I'm Executive Director of the California Pollution Control Financing Authority.

As you know, we've partnered with the Air Resources Board in making our CalCAP Loan guarantee program available for truck owners in this -- to meet the regulations as you've been talking about.

We're very pleased with the success of the program. We've been working closely with your staff on the outreach materials. We've updated our own outreach materials. You just got handed our general CalCAP brochure to make sure that we cover the availability of the truck loans through the program.

We've just added our 10th participating bank in the program. We have financial institutions throughout the State, from Oakland to Chico to Fresno to Los Angeles. Our first loans have already been booked in the program.

We're expecting a ramp up of loan activity in the coming weeks. Again, our goal is to help truckers who would otherwise have trouble getting a loan for their trucks have a financial option available.
Our program does cover truck fleets up to 20 vehicles. So we'll actually talk to the gentleman who was just up here to see if there's any possibility that the program could help in his situation.

One of the things that we found out as we started working with the financial institutions that deal with truckers, is that the original equipment manufacturers and related entities that make loans to trucks, like PACCAR Financial, and Cross Roads Financial and some others, don't qualify as a bank under our program. So we're actually seeking legislation to alter our statute to allow such entities to participate in the program.

That bill is SB 832. It's an urgency bill. It's going to be up before the Assembly Natural Resources Committee on July 6th. We're very hopeful that that will pass, and that will then bring in those equipment manufacturers or financing entities into the program and allow us another vehicle for reaching out and getting greater participation in the program.

So again, we've been very, very happy with how the program has been launching, very happy with the outreach that's being done and we're continuing to participate with your staff on the success of the program.

CHAIRPERSON NICHOLS: Well, thank you very much.

We really appreciate the partnership and the active
support from CPCFA. It's great.

Thank you.

MR. PAPARIAN: Thank you.

CHAIRPERSON NICHOLS: Okay. That completes the list of people who had signed up. I think this is encouraging news. It's obviously not everything we would like, but I think it does demonstrate some very serious effort on the part of the staff and allies to get the message out and to get our support that is there into the hands of the people who need it.

Are there any additional comments?

BOARD MEMBER TELLES: It was of note to me that the one trucker who testified, Mr. Torres, sounds to me, if I'm hearing him right, he's outside of any program that is available. And he's sitting in a situation where his finances are deteriorating and probably will not be able to comply with the rule.

And I wonder if we have any estimate of how many folks are in that situation out there, no funding available and difficulty complying with the rule.

EMISSIONS REDUCTION INCENTIVE BRANCH CHIEF KITOWSKI: I don't think he is completely outside the program. It was the issue that had come up before, he is eligible for the loan program, but still the loan program helps, but you still need to make those payments. And
that is a difficult endeavor in these times. I'm not trying to minimize it. But there is some State assistance for him.

In response to your specific question. At this time, we know we've got more funding put toward this program than any other program we've ever had, over a billion dollars worth of combined funding. But we don't have a specific estimate of how many people are not going to be helped or that we cannot touch with the program.

CHAIRPERSON NICHOLS: It's a kind of a glass half or whatever percentage empty and full situation, in the sense that, as you say, this is more money than has ever been available for compliance with any air regulation in the past. The fact is historically there was no money available for assistance. We passed rules and you met them or not as the case may be, you know. And that was the whole way we dealt with things.

This diesel program has been really the first time that there's ever been any assistance towards the fleet modernization or cleanup of vehicles, and it's ramping up. But there still is this kind of middle area here. If we bump up against a situation where compliance becomes, you know, too difficult for too many people, then there's -- you always face the situation of whether there's a, you know, how public health gets balanced

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against cost. And that's the tough part about what we do.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: We

wouldn't be able to answer that question, in part, because

the compliance date -- the first compliance date is the

end of 2010, so we don't know what people are -- you know

what their plans are at this point.

CHAIRPERSON NICHOLS: Okay. Thank you for that

report. Appreciate all the progress and all the good work

that's going into it.

We now have one last item, which is one of great

importance I think for this Board. We've heard this issue

before. It has to do with the efforts to reduce emissions

from locomotives and railyards. The goal here obviously

being to reduce the exposures to communities around the

railyards as well as to deal with the emissions from

railroads as they operate throughout the State. But in

particular, the focus has been on the communities that are

most impacted at the local level. So staff has been doing

a lot of work on this issue.

I've been hearing about some of it. As we go

along, I've had an opportunity to meet with

representatives of railroads and of community groups and

actually tour the neighborhood around one of the railyards

in the Commerce area recently myself, which is unusually,

I guess, impacted in terms of the proximity of railyards
to where communities or people live in a historic neighborhood there.

But I thought it was a good idea for the staff to come back in and fill us in on what they've been up to in this area.

So, Mr. Cackette, do you have an introduction here?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Thank you.

Today, staff will present information on the status of a report that outlines almost three dozen potential measures that could be taken to reduce emissions in and around railyards, including measures that would reduce emissions from locomotives. This report is a comprehensive effort that has involved input from affected stakeholders.

The report forms the basis for staff's effort to develop draft recommendations for further reducing emissions from locomotives and railyards. We expect to bring these draft recommendations to the Board for consideration in September.

Now, Harold Holmes of the Stationary Source Division will provide the staff presentation.

CHAIRPERSON NICHOLS: Thank you.

Mr. Holmes.
ENGINEERING EVALUATION MANAGER HOLMES: Thank you, Chairman Nichols and Mr. Cackette.

(Thereupon an overhead presentation was presented as follows.)

ENGINEERING EVALUATION MANAGER HOLMES: Today's presentation is an update on staff's efforts to identify and implement further locomotive and railyard emission reductions.

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ENGINEERING EVALUATION MANAGER HOLMES: With regard to recent activities, staff and the UP and BNSF railroads have recently completed implementation of three key components of the 2005 ARB/railroad statewide agreement.

Those components include: Today, more than 99 percent of railroads' intrastate locomotives have idle reduction devices. The locomotives that dispense fuel in the state are using nearly 100 percent ultra low sulfur diesel fuel. And the railroads continue to comply with the smoking locomotive requirements. The combination of these three measures has resulted in a 20 percent reduction in diesel PM emissions in and around railyards.

Also, as required by the 2005 agreement, staff has completed 18 railyard health risk assessments or what we refer to as HRAs. The HRAs have been very important in
documenting that railyards are potential hot spots and
have also served as important blue prints in the
assessment of potential emission reduction options.

UP and BNSF with ARB technical review recently
prepared 18 draft railyard mitigation plans based on those
health risk assessments and presented these to the
affected communities in public meetings.

The plans also include various measures
applicable to the railroads, including measures affecting
locomotives, and also they identified the expected
emissions and risk reductions.

These plans clearly showed that while significant
reductions have occurred more needs to be done.

Consequently, staff drafted and released to the
public a draft report that identifies additional options
for further reducing emissions and risk. I'd also like to
mention that on June 10th, staff also hosted a railroad
technology symposium in conjunction with the railroads.
And from our assessment, it was by far the greatest
participation we've had at any of these technology
symposiums, and brought out some very exciting
opportunities for potential emission reductions from
locomotives and other sources. And also we discussed a
lot of the challenges in making some of these things
happen.
I will discuss the technical options document in a little more detail later in this presentation.

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ENGINEERING EVALUATION MANAGER HOLMES: As I indicated, the 18 major railyard HRAs identified the potential for significant local and regional excess cancer risk health effects associated with the railyard diesel PM emissions. In 2005, staff estimated up to three million residents could be exposed to greater than ten in a million excess cancer risk.

For railyard diesel PM emissions, and accounting for growth, staff estimated that overall railyard diesel PM emissions would be reduced by 50 percent or more by 2015. These reductions are primarily due to existing U.S. EPA and ARB locomotive measures, and ARB regulations for diesel trucks, cargo handling equipment, and other stationary equipment within the railyards.

Although these reductions are significant, staff clearly believes we need additional reductions in and around railyards to continue to reduce local risks further.

For statewide locomotive emissions, staff estimated that the existing U.S. EPA and California regulations and agreements will reduce NOx and PM emissions by 25 and 15 percent respectively by 2015.
In addition to the reductions needed in and around the railyards, staff believes we need additional locomotive emission reductions to meet State Implementation Plan or SIP commitments in both the South Coast and San Joaquin Valley Air Basins.

ENGINEERING EVALUATION MANAGER HOLMES: Based on California's needs for both railyard and SIP locomotive reductions, staff began efforts to identify options to provide further locomotive and railyard emission reductions. These are reductions that would go beyond existing federal and ARB regulations and agreements.

Staff prepared and released an initial draft of a technical options document. This document was released for public comment in late December of 2008. With that, staff provided an extensive public comment period of about 90 days. This document assesses over three dozen potential options. Staff are currently incorporating public comments that have been received and expect to release the final technical options document next month.

It should be noted that the technical options document is a technical analysis of potential options, and does not include recommendations for implementation of the options.
ENGINEERING EVALUATION MANAGER HOLMES: In the technical options document, staff evaluated options that generally fell into the following categories:

Locomotives, which included switch or yard locomotives; medium horsepower locomotives; and the interstate line haul locomotives. Those locomotives that may travel from say Los Angeles to Chicago.

Also, staff looked at the second category, controls for non-locomotive railyard sources, that would go beyond the controls that are already required for diesel trucks and cargo handling equipment and other equipment via both U.S. EPA and ARB regulations.

A third category was advanced system approaches, such as rail line electrification.

And a fourth category with individual railyard options, such as erecting walls, planting trees and installing air filtration systems in homes.

All of these options were evaluated, based on potential emissions and risk reductions, technical and operational feasibility, capital and operating costs, and cost effectiveness.

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ENGINEERING EVALUATION MANAGER HOLMES: Based on the technical options document, staff identified several options that could be implemented in the near and mid-term
and would achieve significant emission reductions. These include the potential to repower and retrofit up to 650 older switch and medium horsepower locomotives. The older locomotive options combined could provide significant reductions in both NOx and diesel PM emissions at both railyards and on a statewide basis. Although the capital costs are high, the cost effectiveness is very attractive. Based on our analyses to date, full implementation of the near-term, older locomotive options could potentially meet locomotive SIP commitments in both the South Coast and San Joaquin Valley Air Basins, as well as substantially reduce localized impacts.

In the longer term, there’s an option to accelerate the introduction of Tier 4 interstate line-haul locomotives that operate in California, which could provide even greater emission reductions.

ENGINEERING EVALUATION MANAGER HOLMES: Based on the information provided in the technical options document, staff is beginning work on developing draft recommendations on how to implement the high-priority options. Staff is evaluating four potential mechanisms to implement these options. These include the use of incentive funding, regulatory measures, enforceable
agreements, and voluntary actions.

Staff plans to release a draft recommendations report next month with a 30-day public comment period and also plans to meet with key stakeholders.

Upon completion of this public review process, staff proposes to present the revised draft recommendations to the Board at the September meeting scheduled to be held in the South Coast Air District in Diamond Bar, California.

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ENGINEERING EVALUATION MANAGER HOLMES: In summary, additional diesel PM and NOx emission reductions are needed in California to address SIP commitments and to significantly reduce localized impacts due to diesel PM emissions. Staff has analyzed over three-dozen options to provide further locomotive and railyard emission reductions and has identified several high-priority options that are technically feasible and cost effective.

While these may not be the only options that could and should be pursued, they can provide significant emissions and risk reductions in the near term, but the capital costs may be high. Staff expects to release the final technical options document in July.

Staff also plans to release to the public in July draft recommendations on how to implement high-priority.
and other potential options. Staff would then return to the Board in September with the revised draft recommendations for your consideration.

That concludes my presentation. I would be glad to answer any questions.

CHAIRPERSON NICHOLS: Thank you. We have a number of people who have asked also to speak on this item. Unless the Board members have comments right now, why don't we go to the public then.

Beginning with Henry Hogo from the South Coast District, followed by Angelo Logan.

MR. HOGO: Good morning --

CHAIRPERSON NICHOLS: Good morning.

MR. HOGO: -- Madam Chair and members of the Board. For the record, I'm Henry Hogo, Assistant Deputy Executive Officer of our Mobile Source Division at the South Coast Air Quality Management District.

I'm here today to express South Coast AQMD staff's disappointment on the length of time it's taken to implement some of the elements of the '98 MOU. Relative to the control technology development, close to $5 million have been spent to date. And we've seen only two particulate filter demonstrations on two switch locomotives, of which one has been sent back to Southwest Research, and there's no -- our understanding, we don't
know what the next process is on that one. Relative to
the line haul locomotives, there have been minimal to no
demonstration of control technologies.

We strongly believe that these technologies are
feasible, but there is a need to demonstrate them and
prove them out in order to make them viable as a retrofit
for existing locomotives.

More significantly, the railyards in the South
Coast region have the highest level of incremental cancer
risk with the BNSF, San Bernardino Railyard at 2,500 in a
million. And the average risk of the 11 to 12 health risk
assessments that were done at railyards around 600 to 700
in a million.

Clearly, these exposure levels must be reduced as
early as possible. The railyard mitigation plans prepared
by the two Class I railroads point to reductions that will
occur from sources that your board regulates primarily.
These are essentially trucks and cargo handling equipment.

What remains in 2020 about 40 to 80 percent are
locomotive emissions. And the plan -- the mitigation
plans do not point to -- well, actually it provides little
to no efforts in cleaning up those locomotives.

I want to highlight the fact that even though the
railroads may meet the 1998 MOU of having a Tier 2 fleet
average for their locomotives, the majority of the
reductions come from the cleanup of switch locomotives,
while a significant number of higher horsepower and
interstate line haul locomotives remain at Tier 0 and Tier
1 emission levels.

In closing, we're urge the Board to move quickly
and aggressively to reduce emissions from locomotives.
There are only five short years for this South Coast
region to attain the federal fine particulate standards,
and locomotive emissions represent a significant source to
the region's air quality problems.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

I hope that we can talk before the end of this
about efforts to really coordinate between the State and
federal EPA and the local district on these issues,
because each of us has a piece of the jurisdiction here.
You're obviously correct about the district not being able
to directly regulate new locomotives. On the other hand,
the issues that are of most concerning to the communities
that live in these areas, to some degree, relate to the
design and configuration and operation of the railyards.

And, again, U.S. EPA has a very, very key role in
all of this. And I think one of the things that has been
most unhelpful in making progress has been the tendency of
government agencies to deal with a problem that they find
difficult by finding some other agency to ask to take more
responsibility. And we all do that. I mean, it's human
nature.

But I really think that this is a situation where
it cries out for a more coordinated approach. And so I'm
hoping we can count on you to convey that message to your
colleagues as well. I know there has been communication
in the past. And we're just -- I'm just asking that we
increase the levels, so that moving into the fall we can
come forward with, you know, a package of suggestions that
really all of us can get behind.

MR. HOGO: Thank you for that comment.

CHAIRPERSON NICHOLS: Thank you.

Okay, Angelo Logan followed by Joycelyn Vivar.

MR. LOGAN: Hello, Chairman Nichols and members
of the Board. My name is Angelo Logan and I'm with East
Yard Communities for Environmental Justice. And I'd like
to present you with a comment letter regarding diesel
emissions and cancer risk reductions from locomotives in
railyards.

It's a letter that was signed by 18 organizations
and you should have it in front of you.

"Chairman Nichols and members of the Board,
we, the undersigned public health environmental
and environmental justice organizations, ask you
to exercise your authority in protecting the public's health of California communities by taking aggressive steps to reduce emissions from railyards and locomotives.

"In 2008, the California Air Resources Board completed Health Risk Assessments for 18 railyards in the State of California. "The HRAs demonstrated that these 18 railyards pose an unacceptable level of diesel emissions to California residents. In total, these railyards are responsible for 210 tons of diesel pollution a year, and put more than 2.5 million Californians at risk of cancer.

"Since the release of the HRAs, mitigation plans have been developed. There is agreement among communities, environmental groups and public health organizations that the proposed mitigation plans and existing measures will not achieve the reductions necessary to protect the public's health.

"The CARB staff has generated a draft technical analysis document or report titled 'Technical Options to Achieve Additional Emissions and Risk Reductions from California Locomotive Railyards,' which was presented to you
in this report today.

"We were under the impression that this would be presented today in a final draft form with some recommendations. And because of tons of things on your plate, it's our understanding that it will be postponed. And we would request that this item be agendized for action as soon as possible.

"And so we urge you to implement the following three recommendations as you address this issue:

"One, adopt rules, regulations, and guidelines for all cost effective and feasible measures to reduce emissions, health risk and PM exposure.

"Two, approve rules, regulations, and guidelines towards emission reductions, exposure and health risk reductions that also include and focus on site-specific measures.

"And, three, direct the staff to use the Carl Moyer's methodology when evaluating cost effectiveness of measures. The Carl Moyer approach weighted to account for local PM emissions and accompanying health risk is the appropriate way to gauge the cost effectiveness
of these options.

"We want to thank you in advance for considering these requests, and we look forward to working with you in the future, you and the staff."

And I also wanted to note that there was also a letter submitted to you by legislators. It's a legislative sign-on letter, with about 13 members that ask for similar things.

CHAIRPERSON NICHOLS: Yes, I've received that letter. I'm not sure if all the other Board members have seen it, but I have.

Thank you.

Okay. Joycelyn Vivar followed by Kirk Marckwald.

MS. VIVAR: Good morning, Chairman Nichols and members of the Board. My name is Joycelyn Vivar and I'm also with East Yard Communities for Environmental Justice.

And I am here supporting the ARB's efforts to develop recommendations for further locomotive and railyard emissions and risk reductions.

I am before you this morning asking you to exercise your rule-making power to create policies to significantly reduce exposure to harmful pollution for the residents of Los Angeles. In specific, those who live, work, play and pray near the railyards in the City of
As you know, members of these communities are disproportionately affected by health disparities. They have higher rates of various respiratory illnesses and excessively higher cancer risks than the average for Los Angeles county. And to us this is unacceptable. This is in large part due to locomotive and railyard emissions.

We thank you for taking the initial steps to improve the situation, but ask that you take all necessary steps to reduce the elevated risk of cancer near these railyards to protect the public's health, as you consider the regulations and recommendations proposed to you by Angelo Logan, and take actions in September. So we look forward to reading those recommendations.

Thank You.

CHAIRPERSON NICHOLS: Thank you.

All right, Mr. Marckwald followed by Mike Barr.

MR. MARCKWALD: Thank you, Madam Chair and members of the Board. My name is Kirk Marckwald and I'm here today representing the California Railroad Industry.

First to say I appreciate the hard work that your staff has put into in crafting and assembling the information for the technical options document.

(Thereupon an overhead presentation was Presented as follows.)
MR. MARCKWALD: I think it will be a useful -- a very useful resource as we go forward and assess what is the best course of action.

I want to do three things today. First, to just update a couple of developments. Your staff referred to one of them, of successfully competing the 4th year of the 2005 MOU.

The second is that the railroads announced last week that they would be in full compliance with the recently passed TRU regulation. And we've had meetings with the staff and working with both the policy staff and the enforcement staff to ensure a full and successful Implementation of that program.

Thirdly, demonstrating promising retrofit technologies on the road -- Just, I'll hold on that for a second.

-- on retrofit technologies for existing locomotives, both with your staff, as well as some air districts. And finally, using the data from the HRAs, we have been able to already implement changes in operating procedures at railyards, automating gates, preventing queueing of trucks, getting local jurisdictions to make a left turn only out of when they leave the yards, which in fact will greatly reduce the maximally exposed individual. So I think that we're on the right track on many things,
and we'll continue to work forward.

I just want to go over three quick slides.

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MR. MARCKWALD: The first one is why it's important that we look at this as a system, because this is the 65 percent reduction that your staff has found, that will be achieved by 2015 from a variety of items. And you can see we rely on a combination of MOUs, rules, fuel regulations to get there. That's between 2005 and 2015.

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MR. MARCKWALD: The next look is what kinds of reductions will be achieved by 2020. And these are the various facilities, particularly in southern California. The tan bars are where we started in 2005. The blue bars are where we will be in 2020. This is about a 77 percent reduction in risk, based on what is on the books. And that does assume growth, which obviously in the last year we have seen no growth. We have zero growth and we're way back where we were probably in 2006.

--o0o--

MR. MARCKWALD: And finally the line haul locomotives standard that the EPA has produced. And basically that will provide a 90 percent reduction from uncontrolled levels in 2015.
So that's just sort of a visual snapshot for some
of the Board members to dial in from a context standpoint.
We certainly will continue to work with your staff as they
develop the recommendations and come back.

My one caution is, if we're -- I think having
public discussions and workshops between now and when you
consider this is a great idea. If there is -- there may
be new information. There may be complex information. I
think that it may be October before they come back or I
just think the one problem was with -- life goes on while
they're trying to get their work done, including applying
for grants and the like.

So I just would hope you'd give them a little
benefit of the doubt if they hear some stuff. And they
may come in October rather than September.

CHAIRPERSON NICHOLS: Well, I understand that.
And obviously this is an issue, which has been with us for
a long time. We're trying to move in a more concerted
manner, I think, perhaps than we have before to getting
everybody on the same page about what our real program is
here.

I very much appreciate the two charts that you
just presented. And also your comments about what the
railroads are already doing. And I think if we can get
that kind of information coming forward in some fashion or
another -- even if it's fragmentary, that will be helpful also.

MR. MARCKWALD: Well, we're happy -- in any way, any of the staff in any of the areas happy to give them whatever they need and look forward to working forward in the public process.

CHAIRPERSON NICHOLS: Thank you.

MR. MARCKWALD: Thank you.

CHAIRPERSON NICHOLS: Mr. Barr followed by Isella Ramirez.

MR. BARR: Thank you, Madam Chair and members of the Board. The Board has received a brief informational update focusing on the emissions and the risk reductions. That's what the notice announced and that's what you've done and focused on the coordinated aspect of what needs to happen between the levels of the -- different levels of government, which has been really a hallmark of this program for the last ten years, started by EPA and then ARB, and certainly many local districts and local communities ever since.

And the Board obviously didn't ask staff or anyone else to present any legal arguments, and I'm not going to do that. But of course we reserve the railroads' rights to do that at the appropriate time.

I would like to remind the Board though of
some of what ARB itself has recognized for many years. And that's that under the federal Clean Air Act, the EPA, the U.S. EPA, has the sole authority to adopt and enforce new locomotive emission standards. That also applies to the remanufacturing of existing locomotives at whatever stage they are throughout their very long operational life.

And there's more, of course. There's EPA's preemption rule that has been -- was adopted in '98 and has been confirmed since. There's the federal Interstate Commerce Act. There's the U.S. Constitution Commerce Clause. But as ARB has also recognized, MOUs are the preferred approach to State emission level control strategies for railroads, because they achieve real benefits immediately and they avoid the issue of federal preemption. I don't think the railroads could say it better.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you, Mr. Barr.

I think your comments are also indicative of kind of the long-term view that we all have of this situation. So appreciate it.

Ms. Ramirez.

MS. RAMIREZ: Good morning, Chairman Nichols and members of the Board. My name is Isella Ramirez. I'm an
organizer with East Yard Communities for Environmental Justice. And today I wanted to talk to you about Agenda Item 09-6-11, the locomotive and railyard emission and risk reductions.

But before anything else, I wanted to share that as a California resident who is overly exposed to diesel pollution from railyard facilities, I am thankful to this Board for two reasons.

One, for conducting the HRAs. And two, for considering the rule-making petition presented by East Yard Communities and other partner organizations.

And so now that I've thanked you, I want to push you to do more. As an organizer, my job is full -- you know, it's about talking to people and informing them and also learning from them.

And in this past week, I've been walking around the Bristow neighborhood of the City of Commerce, which is located in between the Union Pacific East Yard and the 5 and 710 freeways. And I met several people during this time. And so I thought I'd share some of those people with you.

I met a family of siblings who own a couple of homes in the same property. And they live right across the street from the Union Pacific yard. And in the last four years, five out of their nine combined children have
been diagnosed with asthma.

I also met an older gentleman with respiratory problems who loves his community, even though his back-door neighbors, the railyard facilities, are slowly killing him.

I met a young man who is studying hard to make enough money to move his family away from the dangers of deadly diesel pollution. However, the fact of the matter is that most of the community cannot move away. And why should they move away, right? These are the homes, these are the communities that they've chosen to raise their children.

And so they didn't send me up here to ask you to rid our communities of the railyard companies. In fact, they sent me here to ask you to get rid of the inhumane situation in which we currently find ourselves in. I realize that the Board is not scheduled to make -- you know, to take action today, but I do want to encourage you to prepare to take action during your September hearing.

I want to push you, in fact, to go home today and think about all these children with asthma and their families, who will continue to inhale diesel pollution instead of clean air, until this Board takes real action by adopting health-protective rules and regulations for locomotives and railyards.
Thank you for your consideration.

CHAIRPERSON NICHOLS: Thank you, Ms. Ramirez. We are reminded of the fact that there are people who have been born and grown up during the time that we’ve been working on these issues.

Okay. That concludes the list of witnesses that I have. And I appreciate the update. I appreciate the members of the community who have taken the time and made the effort to come up and speak to us in person, as well as your work organizing in your own community. Also, the fact that the railroads have taken to heart the HRAs, and apparently are beginning to take some action on those even in advance of any specific regulation coming forward here, but recognizing that there's, I think, a desire on the part of all of us to have a more concerted and explicit program, whatever format it takes or formats, it ends up taking.

We do want to move forward to a hearing in September, which I believe is the first time that we are in a position to do that, understanding that the railroads may have additional information that they're working on. These things are always, to some degree, moving targets, but I think September will be a good time. And I hope that there will be specific recommendations coming forward at that time. I think we need to move beyond the
technical and into the realm of action items.

So all right. Thank you very much. Supervisor Yeager had to leave us, because he is up for confirmation and needed to make his -- pay his respects to members of the Rules Committee. But while I still have a quorum, we do have one public comment item, just a general public comment before we adjourn.

So I'm sorry, I've lost it here.

Patrick Smith of CTA wished to make a general comment. CTA and Harris Ranch.

MR. SMITH: Good morning, Madam Chair and Board Members and staff. My name is Patrick Smith and I'm representing the Refrigerated Carriers Conference of CTA.

We would like to thank the staff, board members and Madam Chair for taking the time to meet with us over the past few months regarding issues with the TRU rule.

We believe that spirit of cooperation will help advance cleaner technologies to clean the air and reduce pollution and protect food safety.

Also, our membership pledges any assistance, services, or operating resources that we can achieve those objectives with you.

And we look forward to your responses.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.
Thanks for coming to make that statement. We appreciate it.

If there are no further members of the public who wish to comment, I believe we can adjourn.

Thank you all very much.

(Thereupon the California Air Resources Board meeting adjourned at 11:06 a.m.)
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California Air Resources Board meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California,

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription;

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of July, 2009.

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