

Proposed Language for AB 118

AQMS Automotive, LLC, is a company dedicated to environmental issues in general and Mobile Source Emission Reductions, in particular. As a stakeholder and a concerned citizen, I would like to take this opportunity to provide you with my comments regarding the proposed AB118. The bill provides funds for three new programs. The programs include: the Air Quality Improvement Program administered by the CARB, the Alternative and Renewable Fuel and Vehicle Technology Program administered by the California Energy Commission, and the Enhanced Fleet Modernization Program administered by the Bureau of Automotive Repair.

The Enhanced Fleet Modernization Program (EFMP) will provide about \$30 million per year for voluntary retirement of high emitting passenger cars and light- and medium-duty trucks. The program will be administered by the Bureau of Automotive Repair, but statute directs the CARB to adopt guidelines for the program.

My comments pertain to the EFMP part of bill. I see that we have an opportunity to take a step in the right direction and build a new clean air structure upon the solid foundations laid over the past several years. I would like to ask all the stakeholders and regulators to recognize the importance of drafting the correct language for the EFMP. Our regulators at the CARB and the SCAQMD have served as pioneers for mobile source emission reductions through implementation of VAVR (voluntary accelerated retirement) and OVS (old vehicle scrapping) programs that are now well known throughout the environmental world and helped establish California as the air quality leader in the world.

“There are currently over one million vehicles retired every year as part of normal fleet turnover in California.” (page i – ARB Staff Report)

The biggest challenge for existing vehicle retirement programs has been to find ways to identify vehicles within the fleet with high emissions that are actually in use and therefore, if retired will generate quantifiable emissions reductions separate from normal fleet turnover.

Traditionally, VAVR has provided the guidelines to ensure the vehicles that are scrapped in the vehicle scrapping program are not part of the normal fleet turnover.

The State BAR “CAP” requirements such as; the 24 month continuous registration smog check and the determination of remaining life, etc... have been instrumental in determining the gross polluters to ensure that State agencies’ efforts and investments are generating surplus emission reductions.

However, due to the regulatory language currently proposed by CARB, the EFMP will undermine the current VAVR program in three important ways:

- 1) **By removing the 24 month registration requirement;**
- 2) **By removing the smog check requirement; and**
- 3) **By targeting pre-1976 vehicles.**

“AB 118 provides flexibility by specifically expanding eligibility to unregistered vehicles that can otherwise prove to have been driven primarily in California for two years and not registered in any other state.”(page 5 – ARB Staff Report)

First, by removing the 24 month continuous registration requirement, AB 118 will eliminate a means to verify that the participating vehicle is currently being driven. VAVR assumes that if a vehicle owner has paid the registration fees on time and is carrying insurance then most likely that vehicle is being driven. If the vehicle is not registered or non operational, the vehicle cannot be driven legally and if found could be taken by law. It is likely that the non-registered vehicle is not being driven or in use.

AB 118 proposes to **“... provide incentives statewide for vehicles not currently eligible under the Consumer Assistance Program by removing the existing requirements that vehicles be *subject to and fail Smog Check to participate.*”** (page ii – ARB Staff Report)

By removing the smog check requirement, AB 118 is eradicating a quantifiable means of evaluating the physical condition and remaining useful life of the participating vehicle. In order to conduct a smog check, all the engine equipment has to be original and in place with the engine and transmission in working condition and operating normally before the vehicle can be tested. The test requires that the vehicle go through rigorous physical tests, which includes but is not limited to running the vehicle on the Dynamometer “tread mill” machine.

“Though the proposed regulations would significantly expand existing vehicle eligibility requirements, most functional and operational requirements would be consistent with the State’s existing program. For example, eligible vehicles would have to pass the same visual and functional inspections and be retired at dismantlers under contract to the Bureau of Automotive Repair. Additional flexibility is, however, provided to the registration requirements currently in place to enable wider participation.” (pages ii-iii – ARB Staff Report)

This gives the local scrapper a valuable and important evaluation; which is efficient when vehicles have to perform Smog Checks as the pre-requisite and will not be efficient once the pre-requisite is cancelled and the vehicle is not in need of a smog check.

- **Scrapper Rejection Record on File:** Consumer assistant program number of “not qualified”, rejected vehicles by participating scrappers is not known. To scrap a vehicle primary for air quality benefit as it is a local practice has to be overlooked and monitored case by case.
- **It may also be a concern:** a) By eliminating the State mandatory smog check that allows a vehicle to be registered and driven in the State of California, AB 118 could take the very same vehicle off the road and accepted into the scrapping program the same as being a gross polluter. b) It also could conflict with the existing BAR repair cost waiver (235,000 vehicle have received repair assistance) and BAR economic hardship extension that assists the vehicle to pass the smog check by accepting the vehicle that has gone through the BAR assisted program and passed the smog only to turn around and be accepted into the EMFP. This is not in line with state strategy to reduce fleet emissions.

“The targeted, probable high emitter population consists of an estimated 300,000 pre-1976 vehicles” (page 7 – ARB Staff Report)

In the absence of any available data, AQMS Automotive would like to share the following information in relation to pre-1976 vehicle characteristics that we have collected:

- Out of an estimated 300,000 pre-1976 vehicles in California, close to half are restored or in the process of being restored by their owners thus putting them above the value established through AB 118 (a restored pre-1976 vehicle would be worth more than \$4,500);

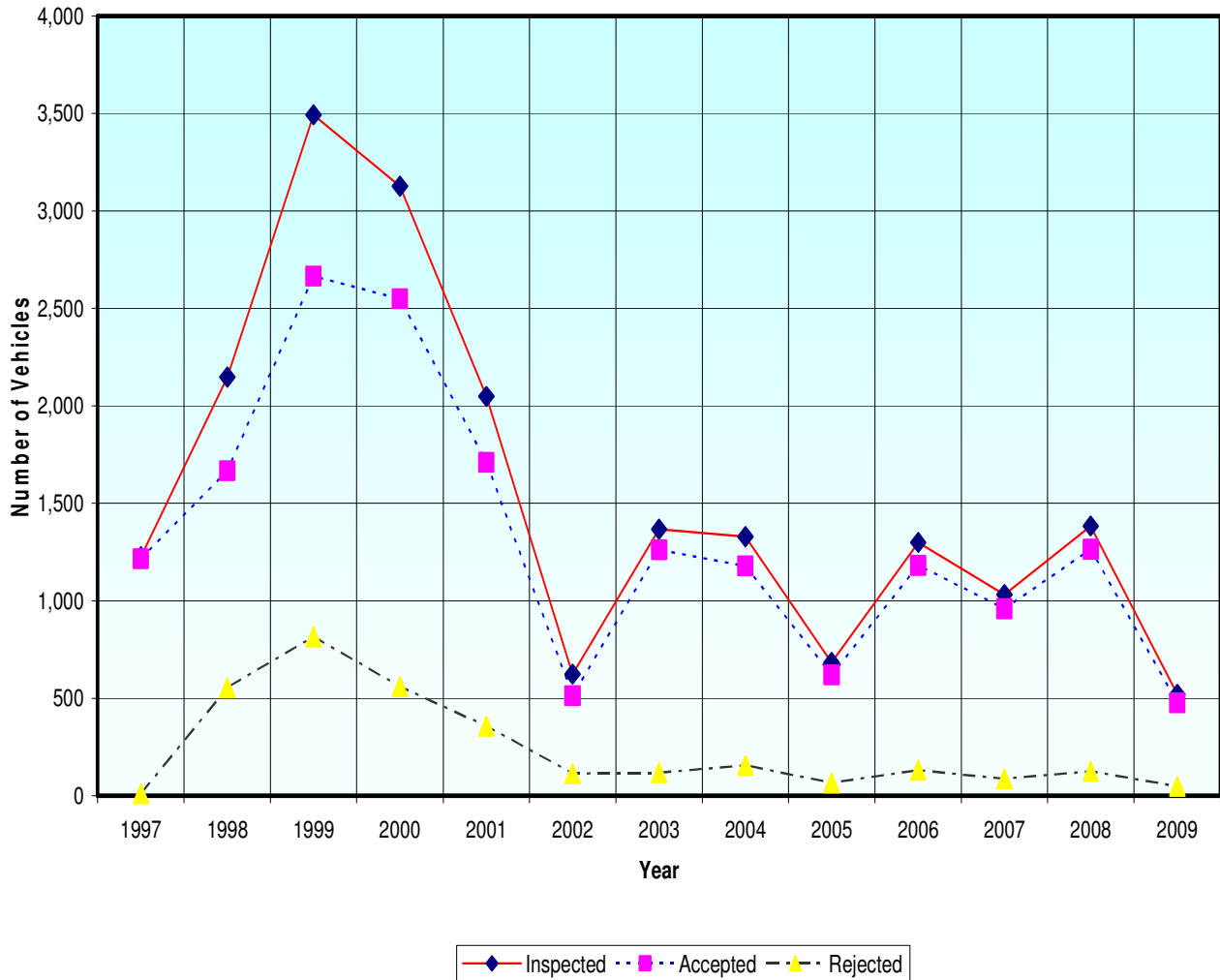
- Of the remaining 50%, two-thirds are already in the process of becoming part of the natural turn over involved in the existing scrapping process;
- The remaining one-third has been targeted by local OVS programs since 1996. The program has been approaching this category of vehicles aggressively, enforcing the requirements of the VAVR for 24 months of registration, physical testing and the determination of the 3 years remaining of useful life under the supervision of the South Coast AQMD that has resulted in quantifiable emission reductions.

While CARB purports that “[T]argeted vehicles will on average have higher baseline emissions than those in conventional retirement programs where the vehicles are selected by model year alone. Because targeted vehicles are probable gross polluters, additional funds can be made available for a cleaner replacement vehicle while still maintaining acceptable cost effectiveness.¹” It should be noted that our local cost effectiveness is \$2.50/lb, as opposed to the \$16/lb cited by the staff in the ISOR.

The graph on the following page shows the activity of scrapping programs in the South Coast Air Quality District (SCAQMD). SCAQMD staff has overseen 1,162 collection events in which 20,282 vehicles were presented. Of those 20,282 vehicles, 3,134 were rejected and 17,261 vehicles were accepted.

¹ ISOR, pg.7

Rule 1610: Vehicles Observed, Accepted and Rejected
All Scrappers Combined



	Observed	Accepted	Rejected	Inspection Stops
Combined Totals*	20,282	17,261	3,143	1,162

***Thru May 2009**

It is important to note that pre-1976 vehicles are a contained and “non-growing” category of the fleet; therefore, removing the previously imposed requirements (Registration, Smog Test, Driving inspection, etc...) will undo all the work that has been done for the past eleven years by accepting the previously rejected vehicles as qualified vehicles.

The disabling effect of the above three changes becomes most apparent when AB 118 targets pre-1976 vehicles. Relaxing the VAVR regulations would indeed significantly expand existing vehicle eligibility; however, it will flood the program with unwanted vehicles, the increased cash incentives and voucher totaling up to \$4,000 will also add to participation and flood the program even further.

As a stakeholder in Old Vehicle Scrapping at the local level (SCAQMD), I am against targeting pre-1976 vehicles because 75% of participating volunteers in our local OVS program are pre-1976 vehicles. Since 2006, AQMS Automotive has inspected thousands of prospective pre-1976 vehicles and pre-qualified 2,126 vehicles to participate from which 1,338 have come to our buy back location for acceptance. After being tested, 94 were rejected because of the three year life requirement, 86 were rejected based on minor registration defaults and only 1,173 were accepted.

The only reason that we can see for that ARB's interest in pre-1976 is actually the fact that it will show cost effectiveness on the calculations only, but has very little to do with actual applied fleet emissions reduction:

“Targeted vehicles will on average have higher baseline emissions than those in conventional retirement programs where the vehicles are selected by model year alone. Because targeted vehicles are probable gross polluters, additional funds can be made available for a cleaner replacement vehicle while still maintaining acceptable cost effectiveness.” (page 7 – ARB Staff Report)

With the largest funding increase for mobile source emissions control to date, BAR has a historic opportunity to provide the necessary planning of a much needed vehicle retirement program that can build on the success of our existing State programs. However, if CARB chooses to maintain AB 118 as proposed, CARB will disable the local Old Vehicle Retirement program undoing all the work done at the local levels and will not use the funding to its full potential.

For your consideration, we submit the following suggested measures in the hopes of improving AB 118:

1. To utilize the flexibility permitted by AB 118 to adjust funding based on emissions reduction which will encourage the participant to increase the amount of their voucher simply by choosing a newer, smaller and more fuel efficient vehicle. Cost efficiency can be justified by taking the difference between the retired vehicle and the replacement vehicle using the state's mobile source emission inventory model EMFAC. This approach, above all, is

a sound policy that will result in an ongoing fleet purification process that is not based on the misguided exception in our fleet of pre-1976 vehicles, but allows for the growth and expansion of a sustainable, ongoing program.

2. Keep the scrapping incentive at \$1,000. This then would not conflict with existing State or local programs (that are paying \$650 to \$1000) and it is keeping within the market value and the established pricing of scrapped vehicles.
3. EFMP qualified low income participants could be eligible to receive a total of \$1,000 toward the purchase of a newer, fuel efficient vehicle as a better way of spending the available funds. This is also a more goal oriented approach toward the EFMP's target.

Finally, adopting this legislation without any additional regulatory language defeats the intent of the legislation. For instance, regulatory language might include (a) requiring the vehicle owner to keep the replacement car for three years, which would prohibit them from selling the replacement vehicle for profit; (b) requiring the dealers to guarantee their vehicles and ensure that the car has been properly maintained prior to sale; (c) requiring dealers keep the price of the vehicle in between the Blue Book wholesale and retail value; and (d) requiring that the replacement vehicle be more fuel efficient than the original vehicle.

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