December 4, 2008

Ms. Mary D. Nichols
Chairman, California Air Resources Board
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Comments on Regulation to Reduce Greenhouse Gas Emissions from Heavy-Duty Vehicles

The California Trucking Association (CTA) is pleased to offer its comments on the Proposed Regulation to Reduce Greenhouse Gas (GHG) Emissions from Heavy-Duty Vehicles that the Air Resources Board (ARB) is scheduled to adopt on December 11, 2008.

CTA believes that the Initial Statement of Reason (ISOR) analysis of the impacts of the GHG regulation is misleading and not reflective of the economic benefits or circumstances trucking companies are likely to face in complying with the rules. In particular, the assumptions that ARB staff use in their analysis support conclusions that seriously underestimate the difficulties that companies will face in making equipment investments and benefiting from those investments.

Among the misleading assumptions:

- The ISOR states: "The fuel savings due to the proposed requirements would allow the owner to recover the initial capital and maintenance costs for both the tractor and trailer in less than 1.5 years." However, the average truck owner has 2.5 trailers. This means it will take 2.5 times longer to recover costs because one tractor cannot pull each of the 2.5 trailers the equivalent of 125,000 mi/yr.

- Use of a "projected diesel fuel cost of $3.14 per gallon." Oil prices have crashed since the ISOR analysis so the assumption of 3.21 is too high. The current OPEC target price of $70 per barrel crude is equivalent to $2.31/gal diesel and it may be too high. Lower fuel costs make for lower savings and lower cost-effectiveness.

- The simplistic "addition" of projected savings of individual pieces of tested equipment. The ARB staff's fuel savings estimate of 10 percent is not supported by empirical data because there has been no SmartWay testing that summarizes the joint effect of adding various measures. Lower savings will further lengthen time to recover costs and reduce the general cost effectiveness of the measure. The analysis should use a lower percentage of fuel savings.

- The mileage restrictions appear to be based upon an assumption that trucks and trailers work five, ten hour days. In fact, trucks and trailers typically work seven-day weeks with service hours reaching up to 20 hours per day, when multiple drivers are used. For example, grocery trucks regularly total 150,000 miles per year within a 150 mile radius.

- An extremely common truck trip is between Los Angeles and Bakersfield, a 115 mile trip that features only 25 miles at freeway speeds since trucks can only go 35 mph over the Grapevine before descending into or emerging from congested Los Angeles traffic. A

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100 mile radius would close off Bakersfield to all but sideskirt-equipped trucks despite the fact that only a small proportion of travel would occur at freeway speeds. For example, a truck making a round trip to Bakersfield only once each day of the year would accrue over 80,000 annual miles, but spend less than 25 percent of its mileage at freeway speeds. Due to these mileage limitations, CTA is requesting that ARB increase the short haul radius exemption to 150 miles. This will help carriers achieve maximum efficiency benefits within the state.

- It is a known fact that the maximum fuel savings benefit trucks and trailers equipped with aerodynamic efficiency kits occurs at 62 MPH. How can carriers be able to achieve the optimum benefit when California's maximum speed for trucks is 55 MPH? Is the State prepared to increase the speed limit for trucks to 65 MPH so truckers can realize the true benefits of these products?

- Use of a real interest rate of 5 percent to calculate the annualized cost of equipment purchases and replacement. The real interest rates trucking companies are likely to face will be much higher, reflecting the loan industry's view of the riskiness of lending to them. Trucking companies often face rates of 15 to 20 percent under normal economic conditions.

- If the staff's analysis is repeated using more reasonable assumptions of higher interest rates, lower fuel savings and lower fuel costs, the likely analytical outcome is a measure that will produce a net loss not a net savings.

The trucking industry is feeling the full effects of the current economic crisis. Many companies are struggling to stay alive. Adding non-discretionary costs to that already difficult enterprise in the midst of the current crisis doesn't make good sense, especially since the analysis that justifies the rule on the basis of projected savings is suspect.

What is coming to be known as the "Great Crash of 2008" is beginning to present itself as an economic chasm of uncertain depth and length. CTA requests that ARB take some time to better assess the economic climate and delay implementation of this rule until a more robust analysis has been accomplished. In the interim, staff should be asked to redo its analysis using cost and savings values that are more reflective of reality while simultaneously modifying the short haul exemption for tractors and trailers to reflect a more realistic 150 mile radius.

Sincerely

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