B J SERVICES

Date: 01/07/2010

To: Clerk of the Board (CARB)

From: Doug Van Allen

Subject: Comments on amendments to the PERP and ATCM for Diesel fueled portable diesel engines.

Dear Board Members

BJ Services Company (BJS) would like to thank you and CARB staff for allowing BJS to participate in the PERP rule making process and many changes to the program over the past fifteen years. We have been involved in the PERP process since the CAPCOA rule making process evolved into the CARB PERP program.

During the past 15 years we have worked with CARB to draft legislation that would not drive industry out of business, but would clean up the air in California. Our comments are based upon this history of involvement and working the issues of PERP.

Support of Amendments

BJS supports legislation that will reduce expense and burdens on industry operating on California.

- We support the one year extension for operation of Tier 0 engines which will offer limited relief to small fleets operating in CA.
- The change to allow On-highway and Marine engines back into the PERP allows industry possibilities to replace Tier 0 engines with cleaner burning, used on highway engines for much less than the price of a new engine. However it will still be cleaning up the air.
- BJS supports the removal of daily and annual recordkeeping requirements for certified engines registered in the PERP.

Large Fleet Assumptions by Staff

In the Staff report they state "most larger companies that own more than 25 engines have been registered in PERP since it started in 1997. Therefore these companies had sufficient time to plan for replacement of their Tier 0 engines by the January 1, 2010 deadline. In addition, these larger companies would not suffer the same level of financial burden from replacing these older engines as would smaller companies that had fewer resources."

Rebuttal to Staff Comments on Large Fleets

- Large companies registered in the PERP because it was a LAW that required registration in PERP or to permit engines in the local air districts.

- Large companies have spent large sums of money in the past 13 years to meet what we thought was a fixed dead line date to replace our Tier 0 engines. We were told that the date was not a moving target.

- BJS is a large company because we have over 25 engines. However we have spent well over 25 million dollars replacing engines in California over the last 13 years. Not because they were worn out junk, but because they were Tier 0 engines and would be banned from operation in CA on 12/31/09 according to PERP regulations!

- Large companies have been burdened over the past 13 years with higher daily operation costs due to the expense of replacing engines to comply with PERP regulations. However scofflaws or companies opting to not register their engines in any program were allowed to compete freely in California. While they were able to underbid companies that were compliant with regulations, because they did not have to invest in replacing engines.

- Over the past 13 years the changes to the PERP program have made a continuous moving target for industry trying to comply with the PERP regulation. This has created an extreme Competitive Disadvantage for the large fleets who are doing the right thing by complying with regulations, compared to companies who are not making any effort to comply with required laws.

On-Highway and Marine Engines

Allowing on-highway and marine engines back into the program is a great idea for companies who still have a lot of Tier 0 engines to replace. They will be able to replace them with used on-highway or marine engines that will be cleaner for much less cost than new engines.

- BJS and other large fleets will again be placed at a Competitive Disadvantage with this rule change. Because we have already replaced several of the On-Highway engines we had in our PERP equipment, because they were supposed to drop dead on 12/31/09 along with the Tier 0 engines in the PERP.

Recordkeeping & Reporting

The current PERP record keeping requirements have been time consuming & costly and have not reduced any pollution in CA.
Staff has recommended that we still need to report when equipment moves to avoid circumventing the 12 months in one place part of the regulation.
BJS would like to recommend that reporting the engine location the first week of each quarter would cover the intended regulation and we would only need to report 4 times per year.
This would save labor & money for industry while still meeting air board needs.

Fairness in Regulation

In order for business to prosper in California there has to be a level playing field for all business.
Regulations must hold all companies to the same level of standards for compliance. That creates apples for apples balance in the marketplace.

Differences in Obtaining Money

The small business man obtains money to upgrade equipment by going to a bank. The banker asks them how much they need to borrow, how soon they can pay it back, what they have for collateral & how much can they pay per month.
Then the Banker asks to see their books & asks how they plan to generate the additional money required to pay back the loan.
If the equipment is already working 12 hours per day 5 days a week. There are only a few ways to generate more cash with the same equipment.

- Raise the hourly rate for the work done
- Find additional work, more than 12 hours per day or work 7 days per week.

If the business can show that they can get more work and increase the hours of use then the Banker would probably loan the money for upgrades. If the business slows down and can not repay the bank the equipment will be repossessed and sold at auction.
However if there is no additional work to be had, there is no way to increase additional hours of use. In this situation increasing the hourly rate may loose some of the current business being done. The bank would probably not loan the money for up grades.

The large company has a board of directors who act as the bank, their job is to see that share holders receive a return on their investment.
Business managers put together a sales forecast for the coming year including current business, promised future business and possible new business.

They have to show what the current profit margins are and what discounts will be required to maintain or increase business.
The board will review the plan asking the same questions as a small business gets at the bank. How soon the money can be paid back and how much additional profit can be expected from the purchase expense is the main decision maker.
If there is no more work available to generate additional cash flow, the request will be turned down.
If the money for up grades is approved, they will be spread out over several years and monitored continuously to see that the promised return on investment is coming in.
If business slows down so that the return on investment is not being received, the board may cut off the capital expense money and the upgrades will be stopped.
Equipment that was upgraded may be transferred to a different location where the required return on investment can be produced.

As you can see it doesn't matter if a business is small, medium or large, if they can not show a return on investment no one will loan money for equipment upgrades or new engines.

BJS thanks you for the opportunity to make suggestions on the rule amendments and would be willing to discuss rule changes prior to the board meeting in January. If you have any questions, please call me.

Thank you for your time, *Doug Van Allen*

Doug Van Allen
Phone 661-342-9707
Fax 661-831-2685
dvanallen@bjservices.com
BJ Services Company USA
Safety, Training & Environmental Supervisor