ANDERSON LOGGING INC.

P.O. Box 1266 • Fort Bragg, CA 95437
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Clerk of the Board,
Air Resources Board
1001 I Street,
Sacramento, California
95814

Re: Proposed Regulation to Reduce Emissions of Diesel PM and NOx from In-Use On-Road Diesel Vehicles

Chairman Nichols & California Air Resource Board Members,

Everyone in the state of California is in agreement on the goals of this regulation and I am no exception, my concern is surviving their implementation. The economy and opportunities in rural California are completely different than the more metropolitan areas. The available operating seasons are much shorter in rural areas, most of our industry competes in a worldwide market thereby not able to pass on regulatory costs and the opportunity to receive government assistance to help comply with rules of this nature are virtually non-existent. As written these rules create a serious inequity for rural California.

The following are examples of the inequity in the rule regarding rural California as compared to the more metropolitan areas and the commerce corridors specifically.

1. Rural California trucking for the most part is seasonal due to weather, road conditions and regulation. The highway haulers have the ability to operate year round. They put 130,000 to 180,000 miles on their trucks each year. How long a truck will last is dictated by how much use it sees. Rural haulers get 1/2 to 1/3 the miles per year, therefore are forced to keep their trucks two to three times as long. At the core of this rule is the concept that in order to clean up the air these trucks need to be replaced and updated. For the highway haulers, no problem, for the rural seasonal haulers it is a significant blow in our survey 86% of rural employer's state they will either downsize or go out of business.

2. $1,000,000,000.00 in Proposition 1B money is going to help in this transition; it all goes to the metropolitan areas (commerce corridors) none to rural California!

3. Carl Moyer program money is available to rural California, due to the age of county and municipal fleets very little of that money will find its way into the private fleets and with the economic problems in the state it is very unlikely that the amount will be increased.

4. CARB staff estimates that most heavily impacted of the regulated public are the transportation and warehousing sector. Their estimate is this regulation will cost them 2/10 to 3/10 of one percent of their gross revenue. In our business we estimate the cost to be 7% of our gross and for the rural fleets this is very representative. This is significant as under the best conditions rural fleets operate on a 4%-5% profit / risk margin.

5. The rural fleets operate for the most part in Particulate Matter (PM) Attainment areas and NOx exempt areas and are burdened by the same regulation as the counties that suffer from PM & NOx issues.

6. CARB estimates 10% of the trucks Statewide are older pre-1995 which have mechanical fuel injected engines. These engines cost $40,000-$50,000 to get compliant with the new regulations compared to about $20,000 for the newer models. Our survey shows in rural California 60% of the trucks are these older mechanical engines. Obviously these older trucks (older due to the need to hold them longer associated with length of the operating season) will cost more to get compliant and again demonstrates the inequity in the regulation. 10% older trucks in the state versus 60% older trucks in the rural counties.

7. Rural California's main economy is based on agriculture, forestry and fisheries. These industries compete in a world wide market and can not pass this additional cost on to consumers. If we raise our prices we will simply loose market share.

8. With the current economic situation companies in rural California will not be able to borrow money to update their engines. 60% of the trucks in rural California are 1994 and older, banks will not loan money on equipment over 10 years old and a prudent operator will not put $45,000 in updates on a $13,000 truck.

9. Our survey indicates that 39% of truck owners in Mendocino County will downsize as a result of this regulation and 47% say they will go out of business. This survey is currently being duplicated in Nevada County with very similar results. Many of the people we surveyed did not know about the regulation, most do not believe it could possibly happen.

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According to the STAFF REPORT: INITIAL STATEMENT OF REASONS FOR PROPOSED RULEMAKING. Staff indicates the most impacted sector as a result of this regulation is the Transportation or Warehousing (For Hire). Their estimate of the cost as a percentage of gross revenue is 2/10ths to 3/10ths of one percent of the gross revenue. For our business we estimate the implementation cost will equal 6.75% of our gross revenue. This is significant as it far exceeds our best case scenario profit margin. See exhibit 1 attached for our analysis of implementation cost.

To remedy this rural inequity the following language needs to be seriously considered for adoption as part of this regulation.

Recommended amendment to the Proposed Regulation for In-Use On-Road Heavy-Duty Diesel-Fueled Vehicles

Add to the appropriate section:

"For Particulate Matter Attainment Air Districts, existing vehicles operating less than 60,000 miles per year, BACT updates will be mandated only when the cost is equal to or less than 50% of the fair market value of the vehicle. This can be achieved through technological advances or government subsidies. Electronic tracking devices will be installed on these vehicles to insure compliance."

Unique Vehicle:

The "Unique Vehicle" category was created to provide some relief for those of us with specialized vehicles that are not readily available in the used equipment market. Unfortunately the definition is not consistent with the intent. The intent was to provide relief if the only option available to be compliant was a new truck yet 69(B) states *"a suitable cab and chassis upon which the truck bed could be mount is not available"*. This subsection is easily construed to not rule out the purchase of a new vehicle which was the point of the definition. If money and availability was no problem we would all operate brand new trucks. 69(D) of the definition *"the vehicle's engine is equipped with the highest level VDECS"* again misses the intent. The rule should state *"engine is equipped with the highest level VDECS if available"*.

California Air Resources Board should insert a clause that immediately suspends the rule if the power to regulate non-California trucks is struck down by the Court.

The rule needs a "severability clause" something that is put in regulations to protect the regulated public when a Judge finds a flaw (like no authority to regulate interstate trucks) he can invalidate that part of the regulation, but leave the rest intact. Potentially this means no regulations of interstate and international trucks, but regulation of California Trucks. Under this scenario we will not address the PM & NOx issues that are so important but we will force numerous firms out of California and those that stay will not be capable of competing. The net result is dramatic loss of jobs in California and no net improvement in air quality.

Investment Tax Credit:

An approach that has worked in past years to provide incentives to update vehicles is a investment tax credit for replacement of older engines with newer cleaner technology. This approach has not been adequately explored and needs serious consideration.

Fuel Surcharge:

Another approach that needs consideration is the following scenario, whereby in stead of the approach of a regulation a surcharge could be added to the cost of diesel. This revenue could then go to the Carl Moyer fund, and be used to target areas that specifically need air quality improvements. This approach would be a much more equitable way of regulating the diesel exhaust issue.

A 20 cent/gallon surcharge for all diesel purchased in California will be collected at the motor fuel pump or through distributors for the number of years necessary to attain compliance with the Rule. This will assure sufficient funding to Carl Moyer or similar grant programs such that every in-State fleet owner will have each truck replaced once during the life of the Rule through the grant program.

In the Statement of Reasons prepared by staff they indicate *"Costs to individual fleets would vary depending on the size of each fleet, vehicle types, vehicle ages, and it's normally purchasing practices"*. In reality what dictates the age of a fleet is one thing only, how much work is available as a function of the life of the vehicle. It is reasonable to expect a 1,000,000 mile life from a new HHD truck. For operators that work on highway at 150,000 mile per year an owner would update every 6 to 7 years. Rural fleets work a short season dictated by weather and regulation, between 40,000 and 60,000 miles per year. Assuming 60,000 miles per year which is a best case scenario the owner would be forced to hold onto the truck for over 16 years. The math is simple, compliance with this regulation in rural California is anything but simple. This is the heart of the inequity in this regulation between rural and metropolitan counties.

Again in the Statement of Reasons prepared by staff they indicate *"Staff expects many, if not most, affected businesses to pass through the proposed regulations costs to their customers"*. For rural California this is problematic as we deal in a world wide market. In the rural counties prime industries are agriculture, forestry and fisheries. If these industries try to pass on the cost of this regulation to the consumer they will lose market share and go out of business.

Again in the Statement of Reasons prepared by staff they stated *"While the cost of the proposed regulation is significant, there is also significant amounts of incentive money available for fleets to assist in cleaning up and modernizing their vehicles"*. This sounds good in reality it is only true in the metropolitan areas and the commerce corridors. Rural counties are not eligible for the Proposition 1B money that is being distributed. That money is all going to the businesses that operate on highway in the commerce corridors. These entities are the same companies whose business models allow them to update their trucks every 6 – 7 years, in essence the companies that do not need help to achieve compliance with the rule. In the rural counties Carl Moyer money is not available either, as the county and municipal fleets are so old they use it on their own fleets and seldom does any money find its way to the private fleets.

In the Statement of Reasons prepared by staff they also indicate *"Staff has made an enormous effort to notify effected fleets and interested parties about the proposed regulation and to solicit their input on the proposed regulation"*. In the process of surveying impacted fleets in Mendocino County very few people knew anything about the proposed regulation and only 1 in 50 actually understood it in concept. Staff may have been successful in reaching certain sectors of the impacted public; obviously their efforts fell short in the rural counties.

In the Statement of Reasons prepared by staff they also indicate *"without reductions from these vehicles, especially the South Coast and San Joaquin Valley, the state would be unable to attain federal ambient air quality standards"*. When the benefits of this regulation are aimed at the South Coast and San Joaquin Valley and the disproportionate burden is carried by rural counties that did not create the problem most logical people would realize this regulation is headed in the wrong direction and needs to be reconsidered, with the impacts to rural California in mind.

In the first three quarters of 2008, 2,690 trucking firms in excess of five trucks went bankrupt in the United States. If this regulation goes into effect as written California has a very good probability of eclipsing that number in this state alone.

The American Lung Association in their State of the Air Report published May 1st 2008, stated *"Los Angeles, despite being ranked atop two of the three most-polluted lists, saw continued improvements in air quality, dropping its year-round particle pollution levels by nearly one-third during the last decade, and saw solid improvement in levels of ozone or "smog," a gas formed most often when sunlight reacts with vapors emitted when motor vehicles, factories, power plants and other sources burn fuel"*.

The Comments of the American Lung Association show we are doing a good job of correcting the problem. If we continue to follow a rational program of improvement over time, we can have the cleanest air in the nation and a thriving economy.

If this rule goes forward in its current form an analysis needs to be made of the inequity to rural California and the disproportionate costs rural trucking firms will face. We in the rural counties support efforts to clean up the air; we simply want to survive the process.

Sincerely,

Mike Anderson

Cc: Governor Schwarzenegger

Cost Impact of Regulation on 25 truck fleet, operating in Forestry Sector Limited by Regulation to a 6 month season

Comparison of a business model replacement schedule compared to a forced replacement schedule by CARB.

Replacement Schedule and Filter requirement data was collected by entering our fleet into CARB's Fleet Calculator

Assumptions: Our average hours operated per year for the past 6 years will remain the same, markets will allow our hourly rate to increase by 1 dollar per hour per year, New truck costs will not go up faster than $5,000 per year, Filters will be available for the Estimated cost of $20,000 per vehicle that will reduce PM by 85% and Nox by 55% starting in 2011, used truck value will be significantly reduced with lack of markets for them, by 2012 used trucks to be sold will be newer and more valuable.

	2009		2010		2011	
	Business Model	With Rule	Business Model	With Rule	Business Model	With Rule
Hours Operated	35000	35000	35000	35000	35000	35000
Hourly Rate ($/hr)	$85.00	$85.00	$86.00	$86.00	$87.00	$87.00
Gross Revenue	$2,975,000.00	$2,975,000.00	$3,010,000.00	$3,010,000.00	$3,045,000.00	$3,045,000.00
Depreciation Revenue	$175,000.00	$175,000.00	$183,750.00	$183,750.00	$192,500.00	$192,500.00
Number of Trucks Sold	2	4	2	3	2	3
Revenue from Sold Trucks	$40,000.00	$40,000.00	$40,000.00	$30,000.00	$40,000.00	$30,000.00
Revenue to Purchase New Trucks	$215,000.00	$215,000.00	$223,750.00	$213,750.00	$232,500.00	$222,500.00
Number of Trucks Purchased	2	4	2	3	2	3
Cost per New Truck	$105,000.00	$105,000.00	$110,000.00	$110,000.00	$115,000.00	$115,000.00
Total Cost of Trucks	$210,000.00	$420,000.00	$220,000.00	$330,000.00	$230,000.00	$345,000.00
Number of Exhaust Filters Needed	0	0	0	0	0	1
Cost of Required Filters	$0.00	$0.00	$0.00	$0.00	$0.00	$20,000.00
Total Cost of Filters	$0.00	$0.00	$0.00	$0.00	$0.00	$20,000.00
Engines to be Replaced	0	3	0	0	0	0
Cost of Replacement Engines	$0.00	$25,000.00	$0.00	$0.00	$0.00	$0.00
Engine Replacement Cost	$0.00	$75,000.00	$0.00	$0.00	$0.00	$0.00
Net to Company	$5,000.00	-$280,000.00	$3,750.00	-$116,250.00	$2,500.00	-$142,500.00
Percentage of Gross Revenue		9.41%		3.86%		4.68%

CARB Staff states under Section VIII. Costs and Economic impacts that cost is estimated at 0.18 percent of their Gross

	2012		2013	
	Business Model	With Rule	Business Model	With Rule
Hours Operated	35000	35000	35000	35000
Hourly Rate ($/hr)	$88.00	$88.00	$89.00	$89.00
Gross Revenue	$3,080,000.00	$3,080,000.00	$3,115,000.00	$3,115,000.00
Depreciation Revenue	$201,250.00	$201,250.00	$210,000.00	$210,000.00
Number of Trucks Sold	2	3	2	3
Revenue from Sold Trucks	$45,000.00	$35,000.00	$45,000.00	$35,000.00
Revenue to Purchase New Trucks	$246,250.00	$236,250.00	$255,000.00	$245,000.00
Number of Trucks Purchased	2	3	2	3
Cost per New Truck	$120,000.00	$120,000.00	$130,000.00	$130,000.00
Total Cost of Trucks	$240,000.00	$360,000.00	$260,000.00	$390,000.00
Number of Exhaust Filters Needed	0	6	0	5
Cost of Required Filters	$0.00	$20,000.00	$0.00	$20,000.00
Total Cost of Filters	$0.00	$120,000.00	$0.00	$100,000.00
Engines to be Replaced	0	0	0	0
Cost of Replacement Engines	$0.00	$0.00	$0.00	$0.00
Engine Replacement Cost	$0.00	$0.00	$0.00	$0.00
Net to Company	$6,250.00	-$243,750.00	-$5,000.00	-$245,000.00
Percentage of Gross Revenue		7.91%		7.87%

CARB Staff states under Section VIII. Costs and Economic impacts that cost is estimated at 0.18 percent of their Gross

Estimated Cost to Company over next 5 years to comply:	$1,027,500.00
over and above normal replacment costs for Diesel Vehicles	