

**STATEMENT FROM DONALDSON COMPANY INC.
ON THE AIR RESOURCES BOARD'S
PROPOSED AMENDMENTS TO THE TRUCK AND BUS REGULATION**

April 24, 2014

Donaldson Company Inc. is pleased to provide comments on ARB's proposed amendments to the Truck and Bus Regulation. Donaldson is a technology-driven company committed to satisfying customer needs for filtration solutions through innovative research and development. Donaldson serves customers in the industrial and engine markets, including dust collection, power generation, specialty filtration, compressed air purification, off-road equipment, industrial compressors, heavy trucks and light vehicles. Our Exhaust/Emissions business has been producing VDECs for both the California and EPA markets for more than a decade. We have designed and manufactured hundreds of thousands of emission systems for on and off-road OEM's and retrofit customers.

The proposed rule changes represent yet another rollback to the Truck and Bus Rule that has already been modified several times. Each of these changes has made it more challenging to supply DPFs or have reduced the potential retrofit market size. The development of DPFs and business infrastructure to manufacture, supply, and service them is significant. It takes millions of dollars and thousands of employee hours. Given the original quantity of vehicles requiring retrofits when the Truck and Bus Regulation was issued, this business opportunity to produce DPFs was justifiable. But since then, the expected number of vehicles needing retrofits has declined dramatically. As recently as July, 2013, ARB's estimate for the number of remaining vehicles requiring retrofits was over 60,000. Without a change to the rules, ARB now estimates only another 17,000 vehicles will still need retrofits (29,583 retrofit DPFs in 2017 minus 12,347 existing retrofit DPFs using TRUCRS data). With the proposed rule change this quantity is substantially reduced to a peak of 20,422 in 2017. In January 31, 2014, ARB estimated that there were more than 8000 retrofit DPFs on order. ARB's data would indicate that these orders were cut in half as the number of filters in 2014 (12,347) is only expected to grow to 16,958 by 2015. Due to the continuing decline in retrofit requirements, it is not clear that supplying DPFs to this market remains commercially viable.

All businesses look for regulatory certainty in order to operate and invest properly. The proposed reduction in the truck and bus retrofits comes on the heels of the ARB reversal on the requirement for non-road vehicle retrofits made just three years ago. That decision eliminated the need for our products that had already incurred millions of dollars of development, but now will never be sold. Our business can not continue to operate without a return on the substantial investment that has been made to develop DPFs. The proposed rules are shown to decrease compliance cost but this does not account for the revenue loss incurred by those that manufacture, supply, and maintain retrofit DPFs. ARB should be

deeply concerned about the financial impact on the remaining DPF retrofit suppliers. Suppliers that base their entire business in the retrofit market may not survive which would leave additional orphaned VDECS that ARB will be forced to resolve in the market place. This will also diminish ARB's credibility as a regulatory body.

The proposed changes will substantially reduce the likelihood DPFs will be installed and will negatively impact California's air quality. Of greatest concern is the flexibility option that waives PM filter requirements until 2018 with a promise of upgrading to a 2010 truck. This exemption will allow highly emitting trucks to remain on the road while establishing an unlevel playing field for those that have already installed DPFs. In order to have installed a DPF, vehicle owners will not only have incurred the expense of the filter and its installation but they will also have had to ensure that their engine is running well enough that the DPF function's properly. Many of the engines that are eligible for the "goodwill" flexibility option will continue to operate and emit much higher than expected amounts of PM. Our experience with vehicles not yet retrofitted is that their engines generate soot at significantly higher amounts than certified levels. If the proposed "goodwill" exemption is approved, these engines will not only lack filters that would reduce 85% of their PM, but they will generate PM at many times their certification levels further deteriorating California's PM attainment.

Donaldson has made a significant investment in the development of products and business infrastructure to supply the California retrofit market with emission reduction technologies. We believe that there is still a good fit between the products we provide and the need for clean air devices. Continually changing ARB rules confuses the market, diminishes ARB's credibility, and makes it difficult to justify Donaldson's ongoing investment in California's retrofit market. We would urge ARB to retain the original requirements for the Truck and Bus rule. If flexibility changes are implemented that reduce anticipated retrofit volume then similar reductions in compliance cost should be offered for manufacturers and installers.

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