

Stuart Gosswein
18-8-3

October 25, 2018

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Proposed California Regulation and Certification Procedures for
Light-Duty Engine Packages for Use in Light-Duty Specially
Produced Motor Vehicles for 2019 and Subsequent Model Years

Dear Sir/Madam:

The Specialty Equipment Market Association (SEMA) welcomes this opportunity to support the California Air Resources Board (CARB) proposed regulation for certifying vehicle engine packages for Specially Produced Motor Vehicles (SPMV) and for certifying the SPMVs.

SEMA represents the \$43 billion specialty automotive industry. The trade association is comprised of over 7,500 mostly small businesses nationwide that manufacture, distribute and retail specialty parts and accessories for motor vehicles. The industry employs over 1 million Americans and produces performance, functional, restoration and styling-enhancement products for use on passenger cars, trucks and special interest collector vehicles, including replica cars.

SEMA is pleased to support the SPMV regulation contingent on inclusion of proposed CARB-staff revisions. For nearly two years, staff for CARB, SEMA and companies subject to the SPMV regulation have worked diligently on this regulation. The SPMV regulation should achieve its intended goal for fostering the sales of current model year clean Executive Order (E.O.) engine packages to be used in replica cars sold in California, across the nation and internationally. It has been a beneficial collaboration that will result in jobs and tax revenue for California. It will also provide consumers the ability to purchase vehicles that remind the public of America's proud automotive heritage. This regulation represents a significant investment of personnel resources and a successful government-industry collaboration.

It is important to note that the regulation may have a beneficial impact beyond SPMVs. These same clean engine packages may be installed in enthusiast-built kit cars and rebuilt vehicles, providing an alternative to big block and other outdated carbureted engines.

In supporting the regulation, it is useful to provide background context about the industry and the need for the rulemaking.

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Overview

The CARB regulation is a critical component of the so-called replica car law [Section 24405 of the “Fixing America's Surface Transportation (FAST) Act” (Pub. L. No. 114-94)]. The federal law was enacted on December 4, 2015 and allows low volume light-duty vehicle manufacturers (global sales of 5,000 or fewer vehicles) to sell up to 325 completed replica cars a year in the U.S. and additional vehicles in other countries. Replica cars are manufactured to resemble vehicles 25 years old or older.

The vehicles will either be equipped with an engine package from a current model year EPA-certified vehicle or an engine package that has received a current model year E.O. from CARB. When the U.S. Congress crafted and passed the legislation, it was effectively cross-referencing the E.O. program for Specially Constructed Vehicles (SPCN) since there was no other equivalent E.O. program. While the EPA will recognize the applicability of this program in its upcoming Guidelines for implementing the federal replica car law, CARB is drafting the SPMV program since the SPCN program is currently restricted to individuals and installers for purposes of vehicles constructed or sold in California.

It is highly unusual for the U.S. Congress to incorporate a state program into a federal law. The replica car industry urged Congress to take this action since CARB’s SPCN engine package regulation meets clean air requirements while providing engine/vehicle manufacturers flexibility to address low volume production challenges such as a variable location for the gas tank.

CARB’s 2012 SPCN Program: The industry worked with CARB to help craft the 2012 SPCN E.O. regulation. The program facilitated a technological breakthrough, creating clean engine packages that meet current tailpipe emissions standards that enthusiasts could install in kit cars, specially constructed vehicles, and rebuilt older vehicles. The regulation provided the opportunity to reduce emissions by offering a clean alternative to big block and other outdated carbureted engines. As a result, General Motors (GM) produced the E-ROD engine and other OEMs have considered participating. Because the program requires a significant amount of test data to demonstrate compliance, it is difficult for a non-OEM to participate if they do not have affordable access to such data.

Adapting SPCN Program to Include Replica Cars: When the FAST Act became law, the SPCN program became a prototype for the upcoming SPMV regulation. Besides providing engine packages for the low volume vehicle manufacturers, the same engine packages could be offered to the enthusiast community. This would provide alternatives to big block carbureted engines used by enthusiasts, thereby reducing emissions.

Volume of Sales: The staff report’s Initial Statement of Reasons includes several useful findings on the importance of a program which is nevertheless limited in scope. It acknowledges that only a modest number of replica vehicles will be sold each year in California.

“CARB staff expects that if the proposed regulation were adopted, 400 to 500 SPMVs may be purchased in California over a one-year timeframe. Given that SPMVs are “lifestyle” vehicles, these vehicles would be expected to displace trips from other similar vehicles owned. They also are expected to be low-mileage vehicles, given their limited practicality – designed more for sport and nostalgia, they are not “daily driver” type vehicles. SPMVs are also expected to spend most of their lives in garages.” [p. 25]

Second, it concludes that there will be no adverse environmental impacts:

“Staff has concluded that the proposed regulation would not have a significant adverse effect on the environment. This analysis does not include a discussion of alternatives or mitigation measures that could reduce adverse environmental impacts because there are no significant adverse environmental impacts identified.” [p. 23]

Third, the Statement concludes that the proposed regulation will produce jobs and an increase in sales tax revenues. Jobs created would be in the manufacturing, engineering, and warehousing sectors, with an estimated 30-50 new jobs based in California. The estimated retail price of SPMVs could average around \$100,000 or more. The additional sales tax and annual registration fee, which is based on the purchase price, will add to the state’s revenues.

Total U.S. Vehicle Sales: Beyond direct sales within the state, companies based in California will benefit from national and international sales. SEMA estimates that about 1,200-1,500 total replica vehicles a year will be sold nationwide once the program is up and running. This estimate does not include hundreds of vehicles that will be produced for export, a healthy market that may expand as foreign enthusiasts have an opportunity to purchase symbols of American heritage and technological expertise.

CARB Program Must Be Economically Viable: It is imperative that the CARB E.O engine package regulation achieve its intended goal: allowing engine package and replica car manufacturers to have economically practical production operations. The companies that will be producing replica cars are small businesses. The federal law recognizes that they do not have the same financial resources as multi-national automakers. Nevertheless, the vehicles to be produced will meet current model year clean air standards. The goal is to ensure that clean cars are produced without imposing unnecessary regulatory burdens.

Relationship Between Engine Package and SPMV Manufacturers: The engine package and SPMV manufacturers will have a contractual relationship for building and warranting engines/vehicles. However, it is a niche market for constructing custom vehicles, not mass-producing millions of cars. The vehicles will also come in different shapes and sizes, requiring engine packages be adaptable for specific vehicle installation requirements (ex: location of the gas tank). CARB recognizes that the engine package and SPMV manufacturers are different entities. One is likely a large OEM and the other is a small company. The replica car business models do not extend beyond producing and warranting clean engines and vehicles. Further, it is anticipated that the OEM will have multiple SPMV clients, reinforcing that the program is intended to offer clean off-the-shelf warranted engine packages—no more, no less. CARB staff have worked with SEMA and industry

representatives to propose regulatory revisions that, if adopted, would reflect the stated business relationship for the two separate entities.

Ensuring a Variety of Engine Packages: A wide variety of replica cars may be produced under the law. They will come in different sizes and resemble different automaker brands. Since the market needs a robust number of E.O. engine packages from which to select, SEMA is urging many engine package producers to consider participating in the program. This will only occur if the regulatory scheme is practical and affordable.

Evaporative Emissions: CARB staff have proposed SEMA-supported changes to the SPMV regulations that would address technical and cost challenges for an evaporative emissions monitoring system. The challenge arises since fuel tank size, length of fuel lines, placement, etc. are variables which are specific to the configuration of the vehicle being manufactured, not to the engine manufacturer. The engine package includes an evaporative canister, catalytic converter, oxygen sensors, etc. but evaporative system monitoring would require a collaboration between the engine manufacturers and vehicle manufacturers that does not exist. Under both the federal law and the 2012 CARB SPCN program, the vehicle is exempted from monitoring, recognizing that the air quality implications are de minimis. SEMA welcomes CARB's proposed option to address leak check, delaying the purge check and granting flexibility of On-Board Diagnostics (OBD) readiness status.

Definition of "SPMV": CARB staff have proposed SEMA-supported changes to the SPMV regulation to define SPMV. The changes would clarify what is excluded from 1:1 scaling calculations when comparing the new replica with the original model including the roof configuration, ride height, fenders, running boards, grills, hood or hood lines, attachments, and axle location. It would also reduce the threshold for demonstrating that a vehicle had been commercially produced, from 500 to 50 units. The definition also includes the word "resemble" which recognizes that a SPMV is not necessarily a mere "replication" of an iconic vehicle.

E.O. Program Benefits: The SPMV program, along with the compatible 2012 SPCN program will be a benefit to California. First, it represents jobs and business expansion within the state. There are already many kit car manufacturers domiciled in California eager to hire more workers and expand their facilities to produce turn-key cars. These companies may choose to relocate to another state if the SPMV program is not viable in California. California would also lose the income from the export sales of these Californian-based companies. Custom cars have always found a special home in California, so it is anticipated that the state will be a popular market for replica cars as well. In addition to fulfilling consumer demand, sales will generate tax revenues for the state and local jurisdictions. Significantly, if the CARB engine package regulation is reasonable, replica cars will replace many kit cars that use rebuilt, older engines. Replica engine packages will be much cleaner than the old engines they replace. Surely it would be counter-productive if CARB's program precluded the newer, cleaner engine packages and thereby perpetuated the use of the older rebuilt engines that do not meet present-day standards.

Zero Emission Vehicles: The comments have focused on vehicles with combustion engines, but other power sources are permitted under the federal law and CARB regulations. SEMA welcomes the ability of manufacturers to certify to the California exhaust emissions standards for zero-emission vehicles and hybrid electric vehicles. The regulation includes a qualification that no credits may be earned under section 1962.2 for zero emission SPMVs. SEMA urges CARB to reconsider this decision and permit credits to be earned as an additional incentive to incorporate these power sources.

Summary: SEMA thanks CARB for considering these comments along with comments submitted by engine package and replica vehicle manufacturers. California's Specially Produced Motor Vehicle program is a vital component of the new federal law for replica vehicles. Many companies have already collectively invested millions of dollars on prototype vehicles, engineering and contracts with suppliers—and customers are eager to purchase the new products. SEMA thanks CARB for helping implement this vital law.

If you have any questions, feel free to contact me at stuartg@sema.org or 202/777-1220.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Gosswein", with a long horizontal line extending to the right.

Stuart Gosswein
Sr. Director, Federal Government Affairs

cc: Annette Hebert, Chief
Jackie Lourenco, Branch Chief
Tony Martino, Manager
Richard Muradliyan, Staff Engineer—Aftermarket Parts