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California Air Resources Board

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08-11-3 & 4

This letter is to register our position on Item 8-11-3 on the December 11,2008 agenda.

The ARB has proffered a regulation to reduce NOx and Particulate Matter emissions produced by heavy duty on road diesel engines. To achieve this goal a dual stage approach has been adopted. Stage one is the mandatory installation of PM filters on exhaust, the second is tighter restrictions on NOx and PM emissions leading to the replacement of the vehicle or complete update of it's engine and components.

Although we are not opposed to greater cleaner emissions on these vehicles, we have concerns and questions and they are as follows:

General

1. Due to the time required to create these regulations, the timeline for full compliance shrinks to incredibly short time frames.
2. Does the filter and engine industry truly have the ability to supply in excess of 200,000 units for retrofit in a timely manner.
3. Many small companies and owner operators have leased vehicles, with the timeline many of these vehicles would be due to come off lease within 24 months of the regulations becoming effective. Can we put forth to the ARB an exemption with penalties if not followed correctly, to help ease the financial burden in these situations.

Cost

This is a very expensive program for a small company let alone a medium to large company. Combined with the SmartWay program, each tractor tailor combination could cost $ 29,000 - $30,000 to retrofit to meet compliance requirements. Companies with multiple trucks and the industry standard 2.5 trailers per tractor, the cost quickly reaches in excess of $100,000 just to comply with the first stage. Load counts are down, costs up and money from lenders scarce, this *will* cause untold financial damage to the trucking industry.

The main objective of this legislation is to reduce GHG emissions while maintaining "cost-effectiveness". This was identified in all of the scoping plans, however in the October 2008 the "cost-effective" number was estimated to be $ 133 per ton of GHG. Although this is a guideline, the reduction costs per ton relative to the cost of these modifications amortized to the either end of lease of a tractor or end of use for a specific company is far beyond the cost of the required modifications. A tractor working 2 years after installation would have to reduce it's GHG by 150 tons for the installation to be cost effective. According to dealers, compliant diesel tractors in California will not bring greater prices just due to being compliant. This means a owner will incur all of the costs with no reimbursement at resale. Cost Effectiveness has not happened.

We must obtain our goal without crippling an industry that every household and business relies upon at every juncture of their lives.

Financial Cost to the State

Undoubtedly, many objections will be voiced regarding the cost of this program. These are valid points, due to the current financial state of our economy, the amount of freight being transported has seen a decline. Major carriers are beginning layoffs, and load counts are down.

We, however, want to address to probable impact on the State revenue. The State of California is at it's core a revenue generating organization. All programs must create a revenue stream to remain effective, or they become a burden and ineffective. Instituting multiple costly programs on one segment of business in California is not only disastrous to that business, but can reek financial havoc on the State.

Extrapolating data available from marketing and economic institutes, we produced a most likely model that 10%, (15,500), of the trucking businesses cease to operate due to an inability to fund the mandatory changes. We calculated what that would the State of California's approximate revenue loss across multiple agencies.

• Income taxes based on a two driver one office worker company	$ 231,000
• DMV fees, 2 tractors with 2.5 trailers per	$ 5,525,000
• DOT fees, 2 tractors with 2.5 trailers per	$ 4,600,000
• State Sales Tax based on paying $2,000 per company annum	$ 31,000,000
• Fuel tax revenue based on paying $ 1500 per company in taxes annually	$ 23,250,000

Associated costs of any benefits due employees, unemployment, wic, etc. not included.

Conclusion

Most every trucking organization and driver is for reducing GHG emissions and pollution in general, along with increasing fuel efficiency across the fleets. However, the creation of as large a financial burden to the companies as does this program creates, combined with the vast and as yet untested attributes of these modifications, we respectfully request that the ARB revisit this regulation and review the financial aspects of this regulation. We all have felt the urgency to reduce GHG emissions from our governor and our legislature, however, curing the problem while killing the patient is never sound advice.

Respectfully Submitted,

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