

Testimony by Mark Riechers from Mercury Marine at the Air Resources Board Hearing on July 24, 2008

My name is Mark Riechers, and I am the Regulatory Development Manager for Mercury Marine. The primary issue I intend to discuss is the treatment of High-Performance Engines in the proposed amendments to the Spark Ignition Marine Engines Rule. This is a very small category of engines, less than 200 per year in California.

We have had many discussions with Staff over the last couple years on how to fix this part of the rule. The issue was that last round of changes to this rule correctly addressed a basic problem that catalytic converters are not feasible on these engines. In the supporting documentation that Staff has included with these amendments is a letter from the emissions equipment trade association that acknowledges this. The last round of changes made compliance with the standards via averaging an option for High-Performance Engines. It was recognized, by both the industry and Staff, that this was a temporary fix, because only one company, that being Mercury Marine, had engines in the standard performance category to average with. There are several small businesses that only produce High-Performance engines.

For the last two years, we have discussed with Staff changes to the rule that would allow these small businesses to comply. All of the changes discussed were such that all manufacturers who build engines in this High-Performance category would certify to the same standards but there would be relief provisions for the small businesses in terms of methods of compliance, testing burden, etc. All of the affected manufacturers, who participated in discussions, including Mercury Marine, were in agreement. There would be other requirements to make up the lost emissions reductions, including low permeation fuel tanks, fuel lines, and a passive purge carbon canister system on the fuel tank vent. There would be no averaging either required or allowed.

An additional issue that enters into this is that General Motors, who supplies base engines for the marine engine industry for standard performance engines, announced that 2 widely used base engines will be discontinued. As a relief provision to our industry, Staff allowed each manufacturer to average in one of these models until they ended production, saving each manufacturer several million dollars in development costs for catalyst systems with only a couple years of production to recoup the investment.

Mercury Marine was fine with this approach because we were of the belief that we would no longer have to average in the High-Performance engines for 2009 and the only averaging would be for one engine model in the Standard Performance category.

Shortly before the proposed amendment was released, Staff determined that the proposed changes were not completely emissions neutral. Staff advised us that they would propose language where each manufacturer would have to provide other offsets to make up the difference. Mercury Marine was fully prepared to make that happen.

When the amendment was released, it had one set of standards for businesses that only produce High-Performance Engines and a completely different requirement for the "Large Volume, Dual Category Manufacturer", of which there is only one company, Mercury Marine. The requirements for Mercury Marine include all of the reductions in evaporative emissions that apply to everyone, but it requires us to average in the High-Performance engines and meet a 5 g standard. The small manufacturers simply have to meet a much higher cap. What this does is requires Mercury Marine to make up the lost emissions reductions for our competitors. We believe that this is simply unfair.

While we do not agree with this approach, we do understand that the changes must be emissions neutral. In subsequent meetings and discussions with Staff, I believe we have come to an understanding of ways that we can make this work, however. Staff is proposing that the large volume manufacturers have the option of using other offsets to reduce the impact of averaging if the manufacturers deem it necessary. Those offsets could include recalibrating in-use engines to reduce emissions and retrofit of low permeation fuel lines. Also, certifying the new engines at a lower emissions level would help.

While we still do not feel that this rule change is fair and equitable, for the sake of preserving this small market, as long as the Board approves both the proposed amendment and the optional use of additional offsets, we can make this work, and we will support the rule change. We do need the option of using the offsets to avoid being put at a competitive disadvantage.

By the way, you are currently getting significantly more reductions from recreational marine than what is in the rules. That is happening due to the fact that retail boat sales are down over 40% in California and boat builders and dealers are struggling to stay in business. Olympic Boat Centers, with 19 locations on the west coast, filed Chapter 11 bankruptcy last week. As an industry, we are going through a very rough time.

Thank you for your time. Once again, Mercury Marine will support the rule changes as long as they include the optional use of other offsets.