December 15, 2010

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

Re: Truck & Bus (On-road) Diesel Rule Amendments

Dear Air Resources Board:

Our company is a member of the California Construction & Industrial Materials Association, has reviewed the Oct. 30, 2010 proposed amendments to the On-road diesel rule, and provides these comments.

Company Information

We are producers of aggregates and ready mixed concrete. We supply the materials to build California's roads, bridges, hospitals, schools, and water systems.

Our fleets are primarily local use vocational trucks. These include concrete mixer fleets that deliver within a 15 mile radius, drive less than 14,000 miles in a year, and operate about 1,400 hours per year (national averages). They also include water, fuel/lube, and mechanics trucks that operate primarily at a plant site.

These trucks are used for local supply of materials and support local business and construction. They typically have longer service lives than over-the-road long haul trucks, can be difficult to retrofit, and don't have the engine revolutions to make retrofits effective.

Construction Materials & the Economy

The construction materials industry has been hit hard by the economic downturn. California aggregate and ready mixed concrete production is off 50% and 60% respectively from 2005 to 2009. For 2010, production continues to be flat or slightly below 2009 levels. Most forecasts, including one by the Legislative Analyst Office's, do not foresee any significant up-turn in the construction sector prior to 2015. In fact, the LAO states, "The construction industry remains flat on its back—with few immediate prospects—due to the massive fall in residential and commercial real estate markets." (LAO, *California's Fiscal Outlook*, Nov. 2010).

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ARB's Proposed Changes

We appreciate the effort ARB has put into reviewing emissions estimates resulting from the downturn in the economy; and, consequently, the proposed rule changes based on these realities. We encourage ARB to continue assessing emissions and the impact of the economy.

Generally, the proposed changes help by simplifying the rule, delaying initial compliance, spreading out compliance dates, and providing options to phase-in and account for reduced fleet size or use.

In particular, there are a number of beneficial provisions:

- Vehicles don't have to be replaced before the end of their 20 year service life.
- A less aggressive compliance path for vehicles under 26,000 lbs. This will assist with a number of low-use local vehicles, particularly those that operate primarily off-road and outside population areas.
- For vehicles over 26,000 lbs., the optional phase-in/reduced use compliance path provides credit for vehicles no longer in the fleet or not currently operating. This is likely to be the most commonly utilized compliance path.
- Changing the baseline from 2008 to 2006 provides a starting point more reflective of common fleet size.
- The addition of a provision for low-use vehicles that considers the operating requirements of fleets that deliver a product. Though helpful in concept, the 1,000 mile threshold is very limiting and prevents this provision from providing substantive relief.
- Extends the useful life of credits for early-retrofit of vehicles (or use of hybrid or alternative fuel vehicles) from 2014 to 2017. Also, allows this credit to be used in combination with the phase-in/reduced use option.

Challenges & Solutions

Although the proposed changes help, there still are three ways the rule will present challenges and hardship, particularly given the reduced capital available and dim forecasts for future growth in the construction sector.

1. Bunching of PM Requirements Prior to 2014. The biggest difficulty for most fleets is the bunching of PM filter requirements between 2012 and 2014. Essentially, this is one area where the rule has not changed. It still presents a huge cost burden within a relatively short time, particularly given that it impacts all vehicles in a fleet.

<u>Proposed Solutions</u>

- Additional delay or expanded low-use mileage exemption for vocational trucks in the construction and construction supply industries. These include concrete mixer trucks that deliver a product, and water, fuel/lube, and mechanics trucks that serve plant and construction sites. These are vehicles that travel 15,000-20,000 miles or less in a year. The cost of compliance is far greater relative to the PM impact of these low-mileage trucks.

- Increase the threshold for the lower weight class to 33,000 lbs.
- Provide an early retirement credit in the regular BACT compliance path.
- Spread out the initial PM filter compliance dates to 2017.

2. *Lack of Credit Transfer Between Off and On Road Rules.* Many companies with Off and On-road fleets had taken early action to comply with the Off-road rule and received credit for doing so. However, due to the changes proposed in the Off-road rule, they will be unable to utilize those credits. At the same time, the lack of current revenue greatly reduces their financial ability to address the On-road rule. In recognition of their efforts to assist with diesel emissions reduction and by placing filters on and modernizing their Off-road fleets, they should be granted opportunity to transfer credits among the two rules.

> Proposed Solution. Develop a retrofit credit transfer program based on a ratio of Off-road to On-road credits. We are encouraged that ARB's notice for the rule indicates this is under consideration.

3. *Lack of Early Replacement Credit.* Some companies purchased new model on-road vehicles and engines based upon—or in advance of--the requirements of the current law. This means they purchased either 2007 or 2010 model year engines. These purchases have come at a time of great financial stress for the companies, but were done to spread out compliance costs over the long-term. These purchases have often required lead times of 8 to 9 months, due to the lack of a developed market. Finally, these purchases are very important in developing a market for these newer engines as well as a market for used equipment in years to come. However, this proposal gives no credit for early replacement of vehicles, even though there is provision for early retrofits.

> Proposed Solution. We are encouraged that the ARB notice indicates a provision will be added in this regard.

Conclusion

Again, we appreciate the consideration ARB has given to more accurately assessing emissions and studying the impact of the economy on business sectors. We appreciate your consideration of our proposals.

Sincerely,

Christine Jones
Environmental Manager