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California State Senate

SENATOR
BOB MARGETT

TWENTY-NINTH SENATORIAL DISTRICT

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July 19, 2007

Mary D. Nichols
California Air Resources Board
P.O. Box 2815
1001 I Street
Sacramento, CA 95812

Re: Adoption of In-Use Off-Road Diesel Regulations

Dear Ms. Nichols:

I am deeply concerned the in-use off-road diesel regulations the California Air Resources Board (CARB) will consider adopting at its July 26 meeting will have a profound, negative impact on California's infrastructure rebuilding efforts, the health of the state's construction industry, and its overall economy.

In the current form, the Board's proposed regulations are not viable from an economic or technological perspective. There are several key issues of paramount concern:

1. Timeline: When CARB announced its intention to promulgate these regulations in 2000, the plan called for an 18-year timeline to meet the state's goals of reducing particulate matter emissions only. Due to delays in developing these rules, the timeline has been reduced to 13 years. In addition, the regulation of NOx emissions was added to the rule—significantly altering the kind of technology needed for companies to be in compliance.
2. Differences in Cost Estimates: Estimates of the cost of meeting these new regulations vary greatly. The CARB staff report estimates the cost impact to the construction industry at nearly \$3 billion, which CARB admits would be the most expensive regulation ever issued. More concerning, however, is the industry analysis which estimates the impact would be more than quadruple that amount at \$13 billion, from 2009-2020.

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3. Workforce Impact: Projected statewide industry loss is estimated to be between 10,900 to 34,000 jobs. This represents 1.3 percent to 4.1 percent of the state's construction employment. Construction is a low-margin business and many contractors will be forced to reduce their fleets and in some cases go completely out of business in order to be in compliance with these regulations. This rule will likely reduce the number of high-wage union jobs and also pose a considerable threat to small and minority-owned businesses that may be unable to make the significant investment of compliance.
4. Infrastructure Bond Reduction: The regulatory costs associated with compliance are likely to increase costs of the voter-approved infrastructure bond projects by about \$2.1 billion. This represents 5 percent of the authorized bond amounts. This means fewer roads, schools, housing, and levees will be built and the pace at which these projects can be completed will be significantly slowed.
5. Availability of Technology & Equipment: There currently is no diesel engine capable of addressing both PM and NOx emissions. This lack of equipment technology and availability are serious barriers to meeting the targets under these rules. In some cases the engines and equipment necessary to meet the stringent standards in these regulations will not come to market until 2014. In addition, an estimated 165,000 pieces of machinery will have to be retrofitted, re-powered or replaced over the next 13 years to meet yearly reduction targets and manufacturers have indicated they are unlikely to have the supply needed to meet the demand.

Additionally, the proposed rule carries with it significant impact on our economy and I know of no plan by CARB to provide relief. I am concerned that with the implementation of this rule the current funding available through the Carl Moyer Program will no longer be available for re-powering older construction engines.

Since these funds became available, the industry has encouraged construction companies to pursue an aggressive engine re-powering program. Over the past six years, 20 construction companies in the South Coast and San Diego districts have re-powered 1,020 machines at a cost of \$89 million. The Carl Moyer Program provided \$71 million with the remaining \$18 million being provided by the machine owners themselves.

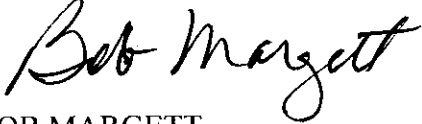
This single industry effort is the largest voluntary emission reduction program in the history of California and represents about 30 percent of the total funding statewide and about 10 percent of the total engines modified. It has resulted in a reduction of 3,797 tons per year of NOx and 126 tons per year of PM emissions. This accounts for 25 percent of the PM and 20 percent of the NOx program emissions reduced statewide.

The Legislature has recently committed \$140 million a year, for the next five years, to continue the Carl Moyer Program. Under the proposed rule, however, the industry would

lose access to these funds almost immediately. While these funds will not make a significant dent (the 1,020 engines re-powered in Southern California accounted for just one-half of one percent of all the engines in the state construction fleet) in meeting the fleet emission targets under the proposed rules, they are nonetheless an important and essential tool in improving air quality.

Finally, as a former contractor and sitting Legislator, I strongly encourage you to consider the July 2007 alternative proposal currently proffered by the construction industry. That proposal will give the industry some flexibility in meeting the emissions reduction levels, and making the construction fleets in California the cleanest in the entire world.

With Kind Regards,

A handwritten signature in black ink that reads "Bob Margett". The signature is written in a cursive, flowing style.

BOB MARGETT
State Senator, 29th District