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General Engineering Contractor

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July 24th, 2007

Air Research Board
Sacramento, Ca.

RE: In-Use Off-Road Diesel Vehicle Proposed Regulation

Dear Board members,

We are a mid-size General Engineering Contractor with 12200 horsepower. As of the April 2007 version of the proposed rule, we now fall into the "large fleet category". Our fleet is made up of typical equipment for earthmoving. We have been very active with ARB the past two years as the proposed ruling has progressed. We have attended five ARB meetings to date. We have had a private meeting with staff in which we provided full financial and fleet records for their review. Our annual profits are within industry averages of about 3%. We have read through all available material and produced many models for compliance. We also have made changes to our engine replacement and tractor replacement program to insure the highest tier engines available are acquired.

We have two main concerns with the proposed ruling. The first is the ability to pay for the compliance costs. The cost estimates that ARB staff produced compare closely to our compliance cost projections with a variance of about 5%. Upon close review this cost difference is with the VDECS. The staff report uses a cost of $15,000.00 per tractor. Actual quotes indicate a variable cost averaging about $28,000.00 per engine. (some tractors have 2 engines). Our annual cost to install these devices the first five years equals about 50% of our annual average profits. This is in addition to the cost of re-powering/replacing 8% of our fleet per year for the first 5 years. These costs will be between 20% and 90% of our annual profits. The combined total is in excess of our annual profits for the first five compliance years. We will be using the BACT path. Staff calls this the "safety valve" and concurs that most fleets will begin on the BACT compliance path as well.

Staff suggests that we borrow about three times our annual profits to help pay for the first five years of compliance.

We propose a true "safety valve", one that in lean years would allow a fleet to retire 12%(150% of the 8% required turnover rate) of their horsepower, rather than repower or replace with compliant equipment. The 12% retirement would exempt the equipment owner from the exhaust retrofit that year. It also removes 12% of non compliant equipment from the operation. This retired equipment will not be legal to be added to any fleet in California, so the pollution reduction will be realized. In lean times, like we have now, this plan is essential so fleet owners don't have to come up with the required cash for compliance.

The second concern is the unfair competitive advantage medium fleets gain for three years. We compete directly with this group. Besides having access to Moyer funds, their costs are at least 3% lower during these years, when our costs of compliance are the highest. This means that when we need the profits the most to pay for compliance we are placed at a cost disadvantage.

One way to partially level this inequity is to require 10% VDECS (not 20%)the first three years of 2010, 2011,2012, until medium fleets must also comply.

We believe that fair competition will return, and costs will begin to be passed on to the industry beginning in 2013 through 2015.

Sincerely,

Harvey T. Beigle
President