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March 6, 2008

Clerk of the Board  
Air Resources Board  
California Environmental Protection Agency  
1001 "I" Street  
Sacramento, California 95814

SUBJECT: Technical Comments on the California Air Resources Board's Proposed Regulation for In-Use Off-Road Diesel Vehicles

Dear Board Members:

The City of Los Angeles Environmental Affairs Department (EAD) appreciates the opportunity to provide technical comments on behalf of the General Services and Environmental Affairs departments regarding the Proposed Regulation for In-Use Off-Road Diesel Vehicles. As part of its ongoing commitment to the environment, the City of Los Angeles (City) supports cost-effective efforts to improve air quality and is committed to reducing diesel emissions from its off-road fleet. The regulation will provide needed emission reductions in the South Coast Air Basin and will require substantial investment from the private and public sectors. The regulation will impact the City's fleet directly and indirectly, given our ranking as a large fleet under the proposal and due to our reliance on contractors that own off-road equipment and perform valuable construction services for the City. It should be noted that the City and our contractors are facing many fiscal challenges due to the current State deficit and the slowed economy. The intent of these comments and recommendations is to ensure that adequate grant funding assistance is available for both public and private fleets. The EAD, therefore, respectfully submits these comments and recommendations below for the ARB's consideration.

## COMMENT

City staff would like to commend CARB staff for working with the local Air District staff, and public and private fleet representatives, in developing the Surplus Opt-In for NOx (SOON) element of this regulation. In this current fiscal climate, we strongly support CARB's action placing the first year of the SOON program on a voluntary participation basis. We believe the voluntary first year participation is necessary due to the uncertainty of the actual fiscal impact of the base regulation, the amount of project co-funding required, and the lengthy budget planning process necessary for public agencies to participate in the SOON program. City staff also supports allowing an exemption to the requirement to purchase and install a locally funded





particulate trap on SOON-funded NOx reduction equipment. We believe that greater, more cost-effective particulate matter emission reductions can be achieved using limited local monies to trap older, more polluting offroad engines rather than to trap the cleaner SOON funded engines.

## RECOMMENDATIONS

Some grant funding opportunities exist for off-road vehicles in the case of early compliance and for surplus compliance under the SOON program. We are not aware of any grant funding opportunities that exist for compliance. City staff believes that the following recommendations will both expand and broaden available grant assistance for SOON participation as well as for early compliance with the off-road regulation. Recommendations are detailed below:

1. **Incentives for Vehicle Replacement Projects:** Currently, the Carl Moyer Program is identified as the source of funding for the SOON program and early compliance with the offroad regulation. Therefore, the proposed 2008 Carl Moyer Guidelines would apply to these types of projects. For off-road equipment replacement projects, the general requirements of the proposed 2008 Guidelines will require the scrapping of off-road equipment replaced by new equipment purchased using Moyer funds. The 2008 Guidelines indicate that up to 80% of equipment replacement costs can be funded, up to the cost-effectiveness (CE) limit, for early compliance, in the event that the equipment cannot be repowered. In sample calculations, using the 2008 proposed Moyer Guidelines and the CE threshold of \$16,000, the actual coverage is much lower than 80%, and closer to half that amount. If the more competitive CE thresholds (i.e., \$5,000 CE) are used locally, local awards are expected to be much less, around 15% of offroad equipment replacement costs. For public entities, with less mileage on their equipment, these ranges are lower and closer to 10%. The lower end of this award range, in many cases, does not cover the lost salvage value of the scrapped equipment, thereby creating a disincentive to apply for equipment replacements. The City has a fiscal responsibility to participate in grant programs providing an incentive for applying. In addition, the City depends upon salvage revenue to replenish our General Fund, from which new equipment purchases are supported. Salvage revenue is also an important revenue stream for our contractors.

Because of the lack of incentive for equipment replacements and a local plan, air districts will channel grant funding for early offroad regulation compliance and/or SOON compliance into repower projects. In fact, the proposed 2008 Moyer Guidelines require that repowers be considered before replacements can be funded. Offroad equipment repowers, however, are not in all instances a cost-effective solution for many fleets for two reasons: a) it often does not make economic sense to repower a unit that has a chassis, housing or electronics that will not last as long as the new engine, such as is the case with a lot of Tier 0 equipment the City owns (the only equipment eligible for replacement funds under Moyer 2008 guidelines are Tier 0) and b) many pieces of Tier 0 equipment cannot be adapted to the newer engine configurations and electronics needed for repowers. In addition, some fleets prefer to simply replace the vehicle, rather than dedicate limited personnel to the increased maintenance required for a repower project. For example, repower projects require increased vehicle frame maintenance to ensure vehicle dependability and to decrease the risk of costly vehicle failure liability issues and claims. We wish to keep the repower vs replacement choice open for fleets that wish to replace rather than repower.

To return a higher incentive to vehicle replacement projects and slightly broaden equipment owners choices, we recommend the following: 1) an exemption to the Moyer Guidelines scrapping provision for equipment replacements under the SOON element, and 2) an exemption to the Moyer Guidelines preference toward repower versus replacements for both the SOON element and for the base off-road regulation.

In regard to the exemption to scrapping, City staff recommends that when old vehicles are replaced with assistance from SOON funding programs under the Board's control, such as the Moyer Program, fleet owners should follow the "vehicle bill of sale disclosure requirement" procedures as detailed in Section 2449(j) of the proposed offroad regulation, rather than scrapping the old vehicle. It should be noted that all in-use, off-road diesel equipment that is  $\geq 25$  HP in California or going out of California or coming into California will have an equipment ID label within the next few years. City staff believes that CARB will be able to track the location of this small number of retired grant funded off-road equipment in their jurisdiction using this statewide identification system.

The exemption to the scrapping requirement for off-road equipment and removing the preference for repowers will return the incentive to the equipment replacement option as well as provide a wider array of funding choices available to the equipment owner. City staff wishes to point out the need for a more heavily incentivized, flexible, and broad grant funding program to support surplus emission reduction and early equipment replacement.

2. **Voluntary SOON Program:** A second recommendation is that all SOON projects be voluntary, until such time as the disincentives to the vehicle replacement program are removed and the choice to replace or repower is restored, as described in item 1.

City staff appreciates the dedicated efforts of the State of California in reducing diesel emissions and looks forward to working with the ARB on the path forward to cleaner air.

Sincerely,



Detrich B. Allen  
General Manager

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Attachment

cc: Honorable Jan Perry, Councilmember  
Nancy Sutley, Deputy Mayor  
James Gibson, Executive Director, Department of Public Work