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June 25, 2013

The Honorable Jerry Brown
Governor, State of California
State Capitol, Suite 1173
Sacramento, CA 95814

RE: Truck and Bus Regulation Timeline Extension

Dear Governor Brown:

The purpose of this letter is to respectfully request a meeting in order to discuss the unintended economic consequences creating dire hardship in the transportation industry. According to local transportation industry advocates, Californians are closing their businesses right now or moving out of the state due to the California Air Resources Board (CARB) Truck and Bus Regulation. The local advocates feel that only you can stop the bleeding in the economy that is underway and will continue to get worse in 2014-2016, at the peril of the transportation industry, and have asked the Butte County Board of Supervisors to encourage you to consider some of the recommendations below.

In response to local requests, the Butte County Board of Supervisors supports the following action items that can easily be implemented to amend the Truck and Bus Regulations governed by the CARB.

1. **One state regulation should require equal funding throughout the state of California for on/off road equipment.**

   Compliance is unaffordable for expensive upgrades or new trucks. Many businesses do not qualify for funding programs available, such as Proposition 1B funds or Carl Moyer grants, due to the fact that a portion of transportation routes are not within the major corridors of San Joaquin, Bay Area, Los Angeles, and San Diego. To comply, a business owner would need to invest a minimum of $16,000 for a particulate matter (PM) trap or $140,000 per vehicle or trailer to be in compliance. During an economic contraction, this is a heavy cost to bear and many companies do not have sufficient cash flow to finance new vehicles, nor assurance that the company could remain in business during the life of the loan. In addition, it is difficult to receive an equipment loan for PM traps as most lenders do not recognize PM traps as depreciable assets. Finally, used vehicles that are more affordable to small business are not available until lease terms end in 2015-2016. Currently, small business has no choice but to buy new vehicles, which they cannot afford.

2. **Allow time for CARB to collaborate with the other branches of the CA Environmental Protection Agency to assess the unintended consequences created by the Truck and Bus**

Regulation. CARB should also ensure collaboration with the California Energy Commission as the regulation is actually increasing greenhouse gases, particulate matter, and hazardous materials in the greater supply chain. The air quality regulations are making greenhouse gas emissions grow, for example:

a. Mining finite precious metals to replace perfectly good equipment and vehicles.

b. High heat manufacturing processes of new parts and vehicles for Selective Catalytic Reduction (SCR) and PM traps are very energy intensive and create higher CO_2 emissions.

c. Global transportation of PM filters and SCR increases CO_2, NO_x, and particulate matter.

d. Charging stations double electricity costs for business owners and emit indirect greenhouse gases of CO_2.

e. Annual maintenance of PM traps burns soot in a kiln, releases the NO_x during this process, and takes over 700 degrees to clean the filter, which creates a demand for more electricity and increases greenhouse gases.

f. CA businesses are selling noncompliant parts and equipment to competitors out of state at a fraction of what the resale value is. The pollution in other states is still polluting California air. Pollution doesn't know jurisdictional boundaries.

g. Destruction of motors creates hazardous waste material instead of refurbishing these precious metals. The state is asking business owners to scrap or sell equipment that is completely usable for decades to come. There is no plan to recycle and refurbish these and it is the responsibility of the state to responsibly dispose of salvageable vehicles and parts.

h. Truck tractors now require urea tanks. The manufacturing of urea is a high heat process and must also manufacture ionized water at over 1200 degrees Celsius . In addition, another global supply chain has been created. Ammonia emission should be studied for driver safety in the truck cab as well increasing ozone in the atmosphere. Urea does reduce NO_x, but converts NO_x to methane and carbon dioxide as the new offgas. Methane is a more dangerous greenhouse gas than NO_x. Ammonia emissions will also create more ozone.

3. **Market driven technologies are not realized quickly, efficiently, or effectively. The process to bring technology to market prohibits the free market to determine a product's price based on supply and demand. Allow more time to allow competition to drive market demand and manufacturers to innovate new solutions.**

Currently, when CARB approves a device they are choosing losers and winners. Compliance is reliant on purchasing equipment and vehicles only manufactured by a small percentage of companies. CARB is prohibiting free market economics to allow prices to fall based on supply and demand. The process for a device to be approved by CARB takes too long and is extremely cost prohibitive. Businesses that need to purchase parts or new trucks and trailers to be compliant are beholden to high prices as there aren't enough competitors in the market. CARB could take an "all of the above" approach to machinery that reduces particulate matter and NOx by allowing the process to be faster and affordable and allows innovation to get to market. Market driven technologies will lower prices, which then drives proactive decision making based on environmental and economic value.

4. **Delay the compliance dates to 2023 for trucking companies for the following reasons:**

   a. The latest reports from the local Air Quality Management Districts, as discussed in the CAPCOA report in April 2013, indicate that all regions in California have reduced bad air days for PM2.5 and ozone. It appears that the state is making very good progress.

   b. Economic recovery is slower than originally projected when the regulatory timelines were drafted in 2007, and amended in 2010. Companies that are in compliance with the phase-in schedule are paying off loans through 2014-2017 and cannot absorb new loan payments or additional investment into future compliance.

   c. California's unemployment rate has fallen to 8.6%, but does not account for the workers that are underemployed, working part-time, or are simply no longer actively seeking employment. Rural areas continue to lag toward recovery.

   d. Small fleets, defined as one to three truck tractors, cannot afford to purchase particulate matter traps or new trucks. Used vehicles with 2010 engines will begin entering the market in 2015-2016, which will be the most affordable option for small fleet owners. Most small fleet owners are required to purchase a 2010 engine as truck tractors are normally more than 20-years old.

   e. New technologies entering the market reduce NOx and PM2.5. Delaying the timeline will allow the market to test these new technologies for quality and durability. Delaying the timeline will ensure companies are not forced to purchase equipment with high failure and maintenance rates.

   f. CARB should consider an "all of the above strategy" to allow new technologies to be sold on the market quickly. The time delay and cost to a manufacturer to seek CARB approval takes too long and is cost prohibitive. Due to the regulation, sales of parts/vehicles/trailers are limited to certain manufacturers. Instead of prices falling due to increased competitors on the market, prices continue to rise since 2008. CARB is ensuring winners and losers in the free market.

There are many other solutions that could be considered to improve the regulation, including but not limited to:

1. CARB could focus efforts in high-priority areas such as San Joaquin, LA Basin, San Diego and the Bay Area. According to the CAPCOA report, PM2.5 and Ozone are reduced throughout the state. The CARB has already exempted Alpine, Del Norte, Modoc, and Mono for NOx emission controls. The entire North State should also be exempted, due to smaller populations, clean air, and communities that are frequently ineligible for funding.
2. Allow small business to upgrade to new 2010 diesel engine according to the new natural life cycle a business would reinvest in newer equipment - compliance through attrition. The accelerated timelines for the phase-in schedule are not viable in these economic conditions.

3. Allow flexibility in the regulation to consider the efforts of the business to manage for sustainability and offer incentive credits. All companies manage efficiencies and focus on health and safety. When a business manages for sustainability they are achieving positive environmental impacts, such as conserving water and energy, reducing pollutants and hazardous waste, and providing raw materials through recycling. When a business offers wellness programs, health benefits, sick and vacation leave, they are also improving the quality of life of the employee and his or her family. Incentives work.
4. Allow flexibility to recognize innovation and ingenuity from the business community. Many companies are investing in alternative gas and electric vehicles or hybrid technology. Give credits and/or exemptions to companies that are employing new technologies not currently permitted for compliance, such as natural gas, propane fuel, alternative low carbon fuels, hydrogen, and hybrid or electric vehicles.
5. Allow further extensions for companies that have already been working toward compliance in accordance with CARB's phase-in schedule. Offer additional incentives or timeline extensions to recognize the significant financial investment into being proactive. This will be a win-win to everyone.

In conclusion, delaying the timeline to 2023 will enable business to invest in growth strategies rather than invest in compliance. Growing businesses will provide long-term economic benefits to the state, and companies can reinvest in new equipment on a natural attrition cycle. We cannot afford our trucking industry to become dominated by national chains, out of state, or foreign companies. These family businesses want to remain in business in California. Most important, these businesses want to remain in business.

We respectfully request that you contact Supervisor Larry Wahl to arrange a time to meet with local representatives to discuss the proposals contained in this letter and to better understand why a "one size fits all" approach is detrimental to our region's smaller businesses. Supervisor Wahl's office phone number is (530) 891-0685 and his e-mail is lwahl@buttecounty.net.

Sincerely,

Bill Connelly

Bill Connelly, Chair
Butte County Board of Supervisors

cc: Members, Butte County Board of Supervisors
The Honorable Brian Dahle, Member of California State Assembly
The Honorable Dan Logue, Member of California State Assembly
The Honorable Jim Nielsen, Member of California State Senate
Paul Yoder, Strategic Local Government Services, LLC
California State Association of Counties (CSAC)
Rural County Representatives of California (RCRC)
Members, California Air Resources Board
California Air Quality Management and Air Pollution Control District Governing Boards
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California Chamber of Commerce
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