

Monday, June 19—2006

Air Quality

The quality of our air is of continuing concern to everyone. Hal Bolen, who has provided long term leadership in this arena for the FBC, has provided the following update:

1. The California Partnership. Pete Weber is doing a fantastic job chairing the Air Quality & Environmental Protection Work Group of the Governor's California Partnership for the San Joaquin Valley. The Maddy Institute has provided staff and facilitation quite ably. The Work Group is a broad collection of government people, air district people, industry and agricultural folks, environmentalists and air quality activists. After several focus meetings, discussions, brainstorming sessions and much hard work, the Work Group has developed an excellent working (and I hope close to final) draft of a report which outlines the problem, identifies the key source areas and more importantly, details 44 recommendations for solutions. The recommendations range from the somewhat obvious, if difficult to implement, rapid retirement of gross polluting vehicles, to the more forward looking evaluation of an ambitious program short sea shipping which could take thousands of diesel trucks off the road by using specially made ships to transport trailers from Southern to Northern California ports.

2. Pending Legislation. There are three bills of interest pending in the California legislature:

a. AB 2553 Arambula and Villines (Coauthor, Parra), would establish a Air Quality Zones in areas within the state which have below standard air quality and below average employment, in which low interest loans would be available for capital expenditures that produce air emission reductions. The Bill originally provided for tax credits as well. That provision has been amended out in the current version, but is expected to be added back during the Senate's considerations. The Bill passed the Assembly 55 to 19 and had its first reading in the Senate. The Bill was originally modeled on a proposal from Operation Clean Air which you will recall, originated with the Business Council's Clean Air Task Force a few years ago.

b. SB 1230 Florez, would establish a Clean Air Enterprise Zone in the eight counties in the Valley to provide low interest loans and program preferences to capital expenditures that produce air emission reductions. It is currently out of committee and on the floor of the Senate.

c. SB 1252 Florez, would establish substantial monetary penalties for particulate emissions that exceed standards or established permits.

3. Proposed Legislation. The City of Fresno has graciously provided the services of its Washington representatives to assist in flushing out the OCA outline for federal Air Quality Empowerment Zones in areas of combined high unemployment and poor air quality. The Zones would provide federal income tax credits and low interest loans for approved programs of capital expenditures which produce targeted and measurable emission reductions. The tax credits could be assigned to sellers of the technology if the buyer is unable to use them. Both California Senators as well as the local Congressional

delegation have expressed strong interest in carrying the bill and we hope to have the legislation introduced this year.

4. Proposed Regulations. CARB is in the process of developing regulations for private fleet operators of heavy duty diesel on-road vehicles i.e. the trucking industry. Some regulation of this area is certainly long overdue. This proposal comes on the heels of regulations of private refuse haulers a couple of years ago which caused a great deal of difficulty in an industry largely tied to fixed contracts with no way to pass on additional costs. The industry for the most part has long anticipated these regulations and the technology is generally available to comply. The problem is the familiar one: money. As presently conceived, the regulations may go too far in the direction of requiring retrofitting of old trucks with after-market emissions traps and catalytic converters. The industry feels and the economics suggest that such an approach is imprudent. At a cost of up to \$25,000 to retrofit a truck that may be worth half of that, a much better approach may be to foster the replacement of old trucks with new ones that are much cleaner and will last much longer. The industry would love to replace their fleets, but rising fuel prices, insurance and new vehicle costs as well as increasing salaries required to find and retain drivers makes that problematic. California truckers are experiencing shrinking profit margins without the ability to pass along increased costs when faced with out of state and foreign competition that is not burdened by existing regulations and higher California formula fuel and certainly will not be affected by the new regulations. CARB, however is a regulatory agency, not a source of funding. The debate will continue in the next several months.

As noted above, there is much to do, but the coalitions that have developed to work on the problem are very encouraging. It's inspirational to attend working meetings where the representative from the California Trucking Association sits next to representative from Environmental Defense and they make joint constructive suggestions. There's hope.