



CSLB #980409
DIR 100004282
www.source-mme.com
Toll Free 1-888-484-9968

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Honorable Chair Liane Randolph
California Air Resources Board
1001 "I" Street #2828
Sacramento, CA 95814

Dear Chair Liane Randolph,

As the General Manager of Municipal Maintenance Equipment ("MME"), I am submitting this comment letter to address a dilemma for state and local government agency ("SLGA") fleets and to request that MME be included as a member of the Truck Regulation Advisory Committee ("TRAC"). MME is a California business that provides fleet vehicles to municipalities, counties, special service districts, and other governmental customers throughout California. We have been family owned and operated since 1992. MME is one of thirty to forty distributors of SLGA heavy duty maintenance vehicles in California. As a result, MME has an active interest and an important perspective regarding the maintenance equipment needs of governmental entities subject to the Advanced Clean Fleets ("ACF") Regulation.

Statement of Issue

MME supports California Air Resources Board's ("CARB's") commitment to accelerate California's transition to zero-emission medium- and heavy-duty vehicles. However, we are concerned that our customers will not be able to meet ACF requirements due to a severe shortage of ACF-compliant zero emission vehicles ("ZEVs") and a similar shortage of internal combustion engine ("ICE") powertrains for sale in the California market.¹ Without this equipment, our customers will be unable to obtain vehicles that provide critical health and safety services, such as sewer cleaning, street cleaning and repair, trash collection, and fire suppression.

¹ This situation arises because of the combined effects of the ACF Regulation, Advanced Clean Trucks ("ACT") Regulation, and the Heavy-Duty Engine and Vehicle Omnibus ("Omnibus") Regulation.

- The ACT Regulation requires the sale of ZEVs or near-ZEVs ("NZEVs") as an increasing percentage of sales (including manufacturer, assembler, and importer sales) from 2024 through 2035. The ACT Regulation implements a cap-and-trade system, allowing manufacturers to comply by generating compliance credits of varying amounts for ZEVs and NZEVs in different vehicle groups and weight classes.
- The ACF Regulation is designed to complement the ACT Regulation by requiring State, local, and federal government fleets, large corporate fleets, and drayage truck fleets to adopt an increasing percentage of ZEVs or NZEVs beginning in 2024. The purchase of ICE vehicles is permitted under the ACF Regulation in accordance with a number of specified exemptions, including emergency use, infrastructure delay, and ZEV unavailability.
- The Omnibus Regulation sets more stringent nitrogen oxide ("NOx") and Particulate Matter ("PM") emissions standards for on-road heavy duty vehicles for model years 2024 through 2031 and creates a cap-and-trade system (the California averaging, banking, and trading or "CA-ABT" system) in which sales of legacy (noncompliant) diesel engines incur a deficit that must be offset by sales of compliant diesel engines or ZEV powertrains.

In addition, due to potential noncompliance, our customers may be subject to environmental enforcement actions by the State or through citizen suits.

Because of this equipment shortage, MME and other municipal equipment distributors in California face potentially catastrophic business impacts, which could cause a reduction in services to our SLGA clients that negatively impacts public health. Therefore, MME asks that CARB institute a hold on compliance and enforcement actions, as discussed below, and set up a dialogue with stakeholders through the establishment of a TRAC subcommittee to resolve this important issue.

Discussion

While it is well known that a sufficient supply of ZEVs will not be immediately available for governmental entities to satisfy near-term ACF obligations, what is less well-known is that ACF-compliant ICE powertrains are also currently unavailable for many heavy duty maintenance vehicles in California. Although CARB has granted several ACF exemptions to ZEV requirements (e.g., *the Backup Vehicle Exemption, Daily Usage Exemption, ZEV Infrastructure Delay Exemption, ZEV Purchase Exemption, and Mutual Aid Assistance exemption*), these exemptions have no impact on the lack of ICE powertrain availability.

According to a recent original equipment manufacturer (“OEM”) assessment, a very limited number of identified heavy duty diesel engines are available for use in California. OEMs appear to be avoiding the sale of these “legacy” engines in order not to incur emission offset credit costs and administrative burdens, or the potential for the engines to be recalled under the ACT and Omnibus Regulations. As a result, unless CARB takes action to address this exigent situation, our customers will be unable to comply with ACF requirements. More importantly, they will be unable to provide continued services critical to public health and safety, such as trash and food waste pickups, fire prevention activities, street repair, and storm drain and sewer maintenance.²

Because engine manufacturers will not sell a sufficient number of ICE engines in the California market until ZEV or NZEV powertrain options become more available, an estimated 80% of the heavy duty equipment needs of our governmental customers will not be able to be met over the next several years.³ Of the remaining 20%, much of that equipment is cost prohibitive due to demand/supply dynamics and the additional cost of emissions offsets. The ACF Regulation may also be subject to relevant changes that arise out of commitments made by CARB as a part of its recent settlement agreement with OEMs.

² As an example, during extreme weather events such as Tropical Storm Hilary, governmental entities will be unable to respond to incidents such as flooded roadways, landslides, and sewer and storm drain system failures.

³ OEMs are understandably limiting how many and to whom they will sell diesel engines in California in order to comply with Omnibus and ACT Regulation requirements. Under the Omnibus Regulation, OEMs are permitted to sell legacy engines in California up to a sales limit of 45% for Model Year 2024. It appears that OEMs are permitting these legacy diesel engine sales mostly, if not only, through California franchise dealerships. However, MME and other California municipal maintenance equipment distributors like MME do not typically utilize California dealerships because they do not provide turnkey options for municipal equipment needs. Our efforts to utilize California dealers to supply our customers have been met with excessive delays and cost overruns as the dealers struggle to modify the equipment in accordance with our customers’ needs. In turn, our customers are often unable to afford the equipment or withstand the equipment availability delays.

Conclusion

As engine manufacturers focus on creating electric vehicle equipment, there will be a period of several years in which ZEVs and ICE vehicles are unavailable for public service needs. This is true even if CARB adds ICE vehicle exemptions to the ACF Regulation.

MME recommends that CARB:

- include a diverse group of public service providers and related subject matter experts, including MME, on the TRAC committee;
- establish a subcommittee under TRAC to address the issue of ACF-compliant ICE powertrain availability;
- discuss additional and appropriate ACF modifications for the public service sector; and
- consider instituting a holdback on ACF compliance obligations and enforcement actions for fleet operators who provide essential public maintenance services where compliance cannot be achieved notwithstanding best efforts.

MME looks forward to working with CARB and other ACF stakeholders on the TRAC committee to ensure that California realizes its fleet electrification goals in a manner that enables our customers to continue to provide essential and reliable public services.

Very truly yours,



James Wheeler
General Manager
Municipal Maintenance Equipment