

# Truck Dealers Alliance of California (TDAC)

*An alliance representing California's commercial truck dealerships*

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August 25, 2020

The Honorable Gavin Newsom  
Governor, State of California  
State Capitol, Suite 1173  
Sacramento, CA 95814

## **RE: The California-Only Engine Standard in the Omnibus Low-NO<sub>x</sub> Rule**

Dear Governor Newsom,

On behalf of California's commercial truck dealerships, The Truck Dealers Alliance of California (TDAC) respectfully requests that your office direct the California Air Resources Board ("CARB") to align with the U.S. Environmental Protection Agency (EPA) on a single nationwide Low-NO<sub>x</sub> truck engine standard for 2027.

Together, dealer companies in California collectively employ and support more than 10,000 Californians and their families. The new and used vehicles we sell, lease, and service to large and small businesses throughout the state are the lifeblood of California's economy and are especially vital in today's times.

On June 23, 2020, CARB proposed the *Heavy-Duty Engine and Vehicle Omnibus Regulation and Associated Amendments* ("Omnibus Low-NO<sub>x</sub> Rule") which is currently scheduled for consideration by the Board on August 27, 2020. The proposal contains an unprecedented, unworkable, and arguably illegal criteria pollutant standard for heavy-duty engines sold in California starting in 2024. We are very concerned that the adoption and implementation in 2024-2026 of this proposed Omnibus Low-NO<sub>x</sub> Rule will harm our industry, leading to job losses, lower tax revenue for state and local governments, and increased emissions.

**Today, we bring to your attention to an urgent matter that threatens our dealers and their customers, our valuable employees and their families, as well as the state's air quality objectives.**

Specifically, the Omnibus Low-NO<sub>x</sub> rule will:

1. Negatively impact new commercial vehicle sales as fleets will elect to hold on to their vehicles longer, decrease fleet turnover, and increase emissions.
2. Cause fleets to purchase used vehicles from out-of-state and subsequently export sales, jobs, and tax revenue.
3. Place in-state only fleets at a disadvantage versus out-of-state fleets, harming California's small businesses the most.
4. Result in legal challenges that will cause unnecessary confusion and regulatory uncertainty with no enhanced environmental benefits.

Each of these challenges are further explained below.

### **I. Real World Challenges of the Proposed California-Only Engine Standard:**

Certain engine manufacturers tell us that they will be unable to produce compliant engines for the 2024-2026 timeframe. For any manufacturer who may comply, it is expected that the higher costs associated with engine purchase and operation--together with concerns regarding reliability-- will force fleets to keep older, higher polluting equipment on the road longer.

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The proposed CARB rule will complicate the ability of fleet customers to effectively compete with fleets based out-of-state. Competitors from out-of-state, which already enjoy a lower cost of doing business due to a variety of California-imposed mandates, will gain a further competitive advantage. As a result, out-of-state fleets operating in California will likely garner a larger market share as California-based fleets struggle with higher equipment and operational costs.

In the competitive landscape of the California freight sector, a majority of miles (60%) are travelled by heavy-duty trucks originating from fleets based out-of-state, most of which will never have to purchase California-only engines. If the majority of fleet miles travelled in the state will not have to meet the proposed rule, how will any air quality improvements be realized? Moreover, this 60% number is likely to increase under CARB's proposal.

It is clear from discussions with our customers that they will hold onto older equipment longer, purchase new equipment in-state prior to 2024, or purchase used equipment out-of-state. They intend to do so to avoid any increased purchase costs or maintenance protocols related to the standards contained in the Omnibus Low-NOx rule. This will especially be true for small, locally based commercial equipment owners who are not engaged in for-hire or private freight transport.

Each of these pre-buy/no-buy scenarios will have significant ramifications for our industry, the state's fragile economy, and air quality overall. At worst, we expect to lay off or furlough some of our valuable employees, which will result in direct losses of local and state sales tax revenue just when California is likely to need it most.

## **II. Legal and Economic Challenges of the Proposed California-Only Engine Standard:**

CARB must obtain a preemption waiver from EPA for its unique motor vehicle air quality rules. Given the proposal's short lead time, it is not expected to qualify for an EPA preemption waiver. And, without an EPA preemption waiver, the rule will be rendered invalid and unenforceable.

In addition, CARB's economic analysis does not take into account any real competitiveness or cost issues that fleets and dealers will face with a California engine standard. Yet despite the legal, procedural and analytical shortcomings of its proposal, CARB is expected to adopt the standard on Thursday August 27<sup>th</sup>, without any additional consideration or modifications.

**Based on all the reasons discussed above, we respectfully urge your office to direct CARB to hold the 2024-2026 standards in the Omnibus Low-NOx rule in abeyance and instead focus its resources on aligning with the EPA on a single nationwide truck engine Low-NOx standard for 2027.**

We look forward to the opportunity to discuss this critical issue with you and key members of your staff at your earliest convenience. Until then, please do not hesitate to contact us if you need additional information.

Sincerely;

The Truck Dealers Alliance of California (TDAC)

[www.truckdealers-ca.org](http://www.truckdealers-ca.org)

1-877-465-0181

Cc: California Air Resources Board