



MAILING ADDRESS: P.O. BOX 2955 • HARRISBURG, PA 17105-2955
SHIPPING ADDRESS: 1925 N. FRONT ST. • HARRISBURG, PA 17102
717-255-8311 • 800-242-3745

PENNSYLVANIA AUTOMOTIVE ASSOCIATION

Comments of PAA on the Pennsylvania Environmental Quality Board's Proposed Amendments to the Pennsylvania Clean Vehicles Program

March 28, 2006

The Pennsylvania Automotive Association (PAA) supports efforts to provide clean air for everybody in Pennsylvania. However, PAA does not support the Environmental Quality Board's proposed amendments which will require that new vehicles meet California emissions standards in order to be sold by new vehicle dealers in Pennsylvania beginning with the 2008 model year.

PAA represents the 1250 new car and heavy trucks dealers, who sell new vehicles to customers across Pennsylvania. The new car and truck dealers are responsible for about 20% of the sales tax generated each year. PAA is concerned about product availability to meet customer needs in terms of: dealer to dealer inventory exchanges, smaller diesel vehicle availability, and in the future, the availability of large engine SUVs and pick-up trucks. PAA is also concerned that the proposal does not contain a registration denial system restricting use of non-California emissions new vehicles purchased by residents.

Dealer to Dealer Trades Restricted in Meeting Customer Needs

The adoption of California car emissions standards would pose a problem for Pennsylvania dealers. Dealers could have problems in supplying specific vehicles to meet customer needs, if bordering states do not have inventory available that can be traded into Pennsylvania. No dealer can keep enough different inventory to meet every customer's needs. To meet specific demands, dealers work together to trade inventory within multi-state areas to satisfy particular needs.

Currently bordering states are in different phases of dealing with the California car issue. New York has been selling California cars. New Jersey, Delaware and Maryland currently do not require California cars to be sold. Ohio and West Virginia do not to sell California cars. Dealer trades would be a problem because dealers in these non-California car states will carry as inventory non-California cars exclusively or primarily, which could not be dealer traded or sold in Pennsylvania under the proposed regulation amendments. This would limit a customer's choice to those vehicles that were built to meet California standards and are within a reasonably close trading area.

No Diesel Passenger Vehicles Can be Sold in Pennsylvania

Adopting California emissions standards will result in the ban of new vehicle sales of diesel-powered passenger and other light duty vehicles in Pennsylvania. While heavy

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duty diesel vehicles with a gross vehicle weight rating over 8,500 pounds (big pick up trucks and vans) will still be permitted to be sold in Pennsylvania, smaller, light duty diesel vehicles would be eliminated from the Pennsylvania market. At a time when increasing fuel prices have increased customer demand for these smaller diesel vehicles, because they are more fuel efficient, these vehicles will no longer be available for customers to buy from Pennsylvania dealers.

Limits on Sales of Big SUVs and Pick Ups

As the California vehicle emissions standards under the greenhouse gas/carbon dioxide requirements become more stringent beginning in 2009, the question is whether large engine vehicles, such as SUVs and pick up trucks, could continue to be sold in Pennsylvania. These large engines may not meet the greenhouse gas standards and may not be able to be sold at all, or they may not be able to continue to perform the tasks they currently handle. Customers have needs that must be met and cannot be hampered by mandates that would impact vehicle availability without regard to technological feasibility, customer choice, or affordability.

Registration Denial Needed to Keep Non-California New Vehicles Out of PA

PAA does not support the proposed amendment at Section 126.413(a)(14) exempting from meeting the California vehicle emissions standards: new vehicles purchased out-of-state by residents of Pennsylvania. This exemption creates an uneven marketplace between Pennsylvania dealers bound to sell California emissions new vehicles and residents who could travel out-of-state to purchase non-California new vehicles. The reason to purchase out-of-state could be for perceived issues of better performance or reliability, or even price.

While there is little or no price differential today, in the future after implementation of the greenhouse gas standards, price could become an issue. Today customers are known to shop around for tens of dollars of a price savings, let alone the hundreds or thousands of a price differential that might occur between the greenhouse gas standards of California verses federal standards in the future.

Permitting residents to bring non-compliant new vehicles into Pennsylvania, could also impact the state's revenue. Dealers could make fewer new vehicle sales and pay less tax on less profit. The sales employees and staff could earn less and be taxed less. Even local taxes, such a mercantile taxes, could go down because there could be less sales directly made from a Pennsylvania dealer.

If Pennsylvania must adopt California emissions (which PAA is not in favor of doing), there must be the same level of emissions standard for new vehicles brought into Pennsylvania by residents, as are being sold by new vehicle dealers in Pennsylvania. Pennsylvania needs to implement a registration denial program like California and New York, which limits the entry into the state of any new vehicle with less than 7,500 miles on the odometer that does not meet California emissions standards. The registration

denial system places all new vehicle buyers and sellers on equal footing in carrying forward the responsibility of helping Pennsylvania have as many California compliant new vehicles as possible in the fleet mix.

EPA Awards Less Program Credit Where Registration is Not Denied

It defeats the purpose of the proposed program to permit non-California emissions compliant new vehicles to enter Pennsylvania, just because they are brought in by a resident. Allowing non-compliant new vehicles to enter alters the fleet mix and could have an impact on the amount of credit Pennsylvania receives in its State Implementation Plan (SIP) for adopting the California vehicle emissions program.

For example, in April 2005 EPA found Maine's adoption of the California vehicle emissions program to be less effective at reducing pollution because Maine did not adopt a registration denial system to prohibit non-California emissions type new vehicles from being registered in Maine. As a result, the EPA only granted Maine 90% of the credit granted to other states that have adopted the California vehicle emissions program with a vehicle registration denial system (such as, California, New York and Massachusetts). (See, Federal Register, 70 FR 21959, 4/28/05).

In essence the penalty which could be suffered, as in Maine by not including a registration denial program for non-compliant new vehicles, defeats one of the main purposes of implementing the California vehicle emissions program. At stake would be the deduction of a substantial portion of the extra credit which could be received from the EPA under Pennsylvania's SIP for adopting California standards over the federal standards. With borders all round Pennsylvania from which vehicles could be brought in, the EPA could deem even more credit could be deducted than what was deducted in Maine. The amount of credit deducted, would make the whole process of adopting and enforcing the California standards in the first place seem futile.

In closing, PAA does not support the adoption of California new vehicle emissions standards because of the impact it will have on customer vehicle choice. Also, Pennsylvania residents cannot be permitted to register in Pennsylvania new cars purchased in another state that do not meet California emissions standards, otherwise a disadvantaged Pennsylvania dealer marketplace will be created.

Prepared by Peter K. Bauer, General Counsel, PAA

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