

Tougher emissions rules prompt state firms to sell equipment overseas

Matthew Yi, Chronicle Sacramento Bureau

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The state's efforts to cut emissions are having an unintended consequence: Some equipment rental firms required by the California Air Resources Board to make their diesel-engine fleets greener say they plan to sell their older machines to nations with less stringent environmental rules.

The move is a side effect of a new regulation approved last month as part of the Golden State's campaign to improve the environment by cutting air pollution as well as greenhouse gas emissions that cause global warming.

"We don't want to export pollution from California, although to a certain extent, there are places that don't have quite the air pollution problems that California has," said Bill Magavern, a lobbyist for the Sierra Club.

But moving air-polluting equipment out of the state rather than taking it out of commission seems to be one result of the new rules as companies scramble to meet deadlines to retrofit their diesel-engine vehicles or sell them and buy machinery with lower emissions.

"We are working with a number of different organizations to see if we can move this equipment to Asia, South America or elsewhere," said Rich Soltero, project manager at Dahl's Equipment Rental Inc. in San Jose.

One such broker is Power Systems International in Oakland, which already sends about 50 shipping containers of old heavy construction equipment abroad.

"We buy used equipment that doesn't meet (the Environmental Protection Agency) standards.

"We ship to Mexico, Taiwan, Vietnam ... they know our (regulatory) situation here so they don't pay much for them, though," said Ray Ferraris Sr., who co-owns Power Systems with his son.

With additional rules approved by the state air board on July 26, Ferraris expects to get more calls from California diesel-engine construction fleet owners who need to get rid of their older equipment.

The new regulations require firms to begin reporting their diesel-fleet information to the air board in 2009. Businesses with large fleets need to start complying in 2010 while medium and small firms begin ratcheting down their diesel emissions beginning 2013 and 2015 respectively.

The ultimate goal is to help meet the state's diesel-reduction plan, which is to reduce diesel emissions in California to 85 percent below 2000 levels by 2020.

Mary Nichols, recently appointed as chairwoman of the air board by Gov. Arnold Schwarzenegger, said California's old equipment being gobbled up abroad is just part of the state being a pioneer in fighting for a better environment.

"The equipment that will be moving to other parts of the world will still be meeting U.S. standards and may be cleaner than what they've got now," she said. "It's a little bit of a trickle-down effect, but it's better than not doing anything at all."

Supporters of the new regulations say the rules are needed to improve public health and reduce illnesses like childhood asthma in smog-heavy regions such as the San Joaquin Valley and the greater Los Angeles area.

According to the air board's staff, the new standards for cleaner-burning diesel engines could help reduce premature deaths by 4,000 over the next two decades as well as result in savings of between \$18 billion and \$26 billion in health care costs.

But the changes come at a price, especially for construction firms, heavy equipment rental companies and other owners of the state's 180,000 earthmovers, excavators and other off-road diesel machinery. Industry officials say it could cost them between \$3 billion and \$12 billion to upgrade or replace their fleets.

The air board staff also acknowledged that the new rules would result in a loss of 1,400 to 3,400 jobs a year.

Soltero doesn't think his 53-year-old business will have to lay off any of its 30 employees. But he is racking his brains to figure out how to operate under the tougher regulations.

He has 128 pieces of diesel-engine equipment - generators, compressors, aerial lifts and forklifts - that would be affected by the new regulations.

The initial plan is to reduce the number of the firm's diesel-engine rental fleet by selling older equipment on the used market while holding off from buying new machines. It's a tough choice to make considering that the 128 machines represented a quarter of the firm's \$6.3 million revenue last fiscal year.

"You hope that you'll come up with other equipment to rent, such as electricity-powered light towers," Soltero said. "You just try to make up revenue in other areas."

Lisa Carter, general manager of California Diesel & Power in Martinez, said she doesn't expect her rental firm to make wholesale changes to its fleet because it already upgrades its equipment on a regular basis.

Still, there will be equipment that will probably have to be taken offline sooner than expected and the machinery will likely be sold on the used market.

"I already sell older equipment, and they go out of state or across the border," she said.

The used market already is a burgeoning industry worth about \$100 billion, said Richard Aldersley, Southern California regional manager for Ritchie Brothers Auctioneers, the world's largest auctioneer of heavy construction equipment.

In fact, the new California regulation helped fuel additional business for Ritchie Brothers even before the rules were adopted.

The company announced in May that the proposed regulations helped boost its three-day auction in Los Angeles to new records for the number of consignors and lots, generating more than \$41 million in gross auction sales.

One-fifth of the equipment sold went abroad to countries including Australia, Chile, Ghana, Latvia, Nigeria, Pakistan and Venezuela.

Cutting air pollution and fighting global warming has become the new battle cry among many political leaders in California, especially after the passage of last year's landmark legislation

AB32, which aims to cut greenhouse gas emissions by 25 percent by 2020.

Schwarzenegger, for example, has traveled around the world stumping for the cause and trying to convince leaders in other states and nations to adopt similar measures, said Aaron McLearn, the governor's spokesman.

Steve Maviglio, spokesman for Assembly Speaker Fabian Núñez, D-Los Angeles, who co-authored the bill, said there has to be recognition that businesses need to figure out ways to see returns on their investment. While that may mean moving heavy-polluting equipment elsewhere, replacing it with greener machines in California is a good first step toward saving the environment, he said.

"We never intended to save the world, but we've intended to do our part," Maviglio said.

Online resources

For more information on the California Air Resources Board's latest off-road diesel vehicle regulations, call (866) 634-3735 or go to:

links.sfgate.com/ZOS

E-mail Matthew Yi at myi@sfchronicle.com.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/08/12/MNBFRGJBN.DTL>

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