



FOR IMMEDIATE RELEASE
Tuesday
May 20, 2008

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**AGC OF AMERICA CONTINUES TO OPPOSE CALIFORNIA EFFORT
TO CHANGE STANDARDS FOR EXISTING FLEETS OF DIESEL EQUIPMENT**

Cost of compliance expected to reach \$13 billion

Washington, D.C.—Today, the Associated General Contractors of America (AGC of America) announced that it will continue to oppose California’s effort to set new standards for the exhaust from existing fleets of off-road diesel equipment, persisting in its effort to bring reason to the long-running debate over this equipment.

“This is a tragic example of what can happen when government regulators turn a blind eye to the economic and technical obstacles to their admittedly worthy goals,” said Stephen E. Sandherr, chief executive officer of the Associated General Contractors of America. “AGC members share California’s interest in protecting the environment, but they equally appreciate the need to maintain and improve the state’s infrastructure,” he added.

“If you cripple the construction industry, you put everything from roads and bridges to schools, hospitals and other facilities at very great risk,” Sandherr emphasized.

California is the only state that the Clean Air Act permits to set its own engine exhaust standards. The debate over its off-road diesel equipment began in 2005, when the California Air Resources Board (CARB) loudly announced that it planned to impose much more stringent standards on the exhaust from such equipment. CARB completed its work on those standards in April of this year.

The new standards and related rules require California’s construction contractors to retrofit, repower or replace their exiting fleets of off-road diesel equipment at a cost expected to reach \$13 billion. The latest development came late last Friday, when the state’s Office of Administrative Law completed its review of the standards, and announced its approval of them.

California cannot enforce its new standards until the U.S. Environmental Protection Agency (EPA) also reviews and approves of them, and the courts have yet to address whether CARB has met the relevant legal standards, or even possesses the authority – as a matter of state law – to adopt them. If the rule were to clear all of the remaining hurdles, other states with air quality problems would, however, be free to adopt the same rule.

Fifteen other states have already adopted one or more of California’s other emission standards, and several have already expressed an interest in the latest one. “This is far from over, but it does have national implications, and that is precisely why AGC of America will see this matter through to its final conclusion,” Sandherr also stated.

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The standards and related rules require the owners of off-road diesel equipment to start labeling and reporting on their equipment, and to start limiting the equipment's idling time, and their purchases of older equipment, in 2009. In the following years, the rules require these companies either to meet annually declining targets for average emissions, or to retrofit, repower or replace a percentage of their equipment fleets' total horsepower. During the rulemaking, AGC of America submitted four separate sets of comments, affidavits and expert reports exceeding a total of 300 pages in length. In the comments, AGC demonstrated that CARB had:

- understated the cost of retrofitting or replacing the existing equipment;
- overstated the options for repowering such equipment with entirely new engines;
- undercounted the amount of existing equipment, and exaggerated its natural turnover rate;
- exaggerated the resale value of the equipment that the rule would render unusable anywhere in California;
- wrongly assumed that construction contractors can simply pass all cost increases along to their clients, without regard to the competitive forces at work in the construction marketplace;
- failed to account for the rule's impact on construction contractors' net worth, and in turn, their ability to finance the required investments; and
- disregarded downstream effects on employment in the construction industry, and the time and cost of making critical improvements to the state's infrastructure.

Another great concern is that the major engine manufacturers cannot make a public commitment to providing the technical support that the construction industry needs to comply with the rule. At this point, it remains far from clear that compliance is even possible.

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents more than 32,000 firms, including 7,000 of America's leading general contractors, and over 11,000 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at www.agc.org.

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