

ATTACHMENT C

ADDENDUM TO THE STAFF REPORT: INITIAL STATEMENT OF REASONS FOR RULEMAKING

PUBLIC HEARING TO CONSIDER PROPOSED REVISIONS TO ON-BOARD DIAGNOSTIC SYSTEM REQUIREMENTS, INCLUDING THE INTRODUCTION OF REAL EMISSIONS ASSESSMENT LOGGING (REAL), FOR HEAVY-DUTY ENGINES, PASSENGER CARS, LIGHT-DUTY TRUCKS, AND MEDIUM-DUTY VEHICLES AND ENGINES

[Note: The updates to the originally proposed Initial Statement of Reasons (ISOR), published on September 25, 2018, that are made public with the “Notice of Public Availability of Modified Text” are shown in double underline to indicate additions. Only ISOR sections updates are included in this attachment. For the entire ISOR, refer to [Staff Report: Initial Statement of Reasons](#). The symbol “* * * *” means that intervening text not amended is not shown. Additional documents added to the record as a result of the updated text below are specified in the 15-Day Notice.]

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VI. ECONOMIC IMPACTS ASSESSMENT

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E. Impact Analysis on Businesses, Vehicle Operators, and Employment

Affected Businesses and Potential Impacts

Any business involved in manufacturing, purchasing, or servicing light-, medium-, heavy-duty engines and vehicles could be affected by the proposed amendments. Also affected are businesses that supply parts for these vehicles. While there will be businesses affected, CARB does not expect there to be a significant statewide adverse economic impact directly affecting these businesses as a result of this proposal.

Other Indirectly Impacted California Businesses

Heavy-, medium- and light-duty vehicle dealerships located in California could be indirectly affected, but these impacts should be zero because these businesses are expected to pass on the entire costs of the proposal plus their own mark-ups

to the consumer. There are an estimated 1,366 new light- and medium-duty vehicle dealerships and approximately 160 new heavy-duty truck dealerships located in California.^{1,2}

In addition, repair facilities that service heavy- and medium-duty vehicles may see an increased demand for services if the proposed amendments cause increased detection of malfunctions that may otherwise go undetected (and thus, unrepaired) by the vehicle owner. Considering there are about 36,000 registered automotive repair dealers in California for light- and medium-duty vehicles, based on the ratio of light-duty vehicles to heavy-duty vehicles in California, 1,113 heavy- and medium-duty engine repair shops are estimated to exist in California.³ New heavy-, medium-, and light-duty vehicle dealerships and heavy- and medium-duty vehicle repair facilities are likely to be considered small businesses because many are independently owned and operated and have fewer than 100 employees.⁴

Potential Impacts on Vehicle Operators

For heavy-duty engines and vehicles, the proposed amendments would provide HD OBD information and encourage manufacturers to build more durable engines, which would result in the need for fewer repairs and savings for vehicle owners. The proposed amendments would also provide clearer HD OBD regulatory requirements and streamline the HD OBD certification process. Additionally, HD OBD systems detect malfunctions that may otherwise go undetected (and thus, unrepaired) by the vehicle owner. These additional repairs that are detected and repaired due to the presence of HD OBD will potentially result in emission benefits and cost savings by catching problems early before they adversely affect other components and systems in the engine and/or aftertreatment system. The proposed amendments are anticipated to have a negligible impact on new heavy-duty engine or vehicle prices, since the calculated increase in retail price of an engine is estimated to be \$42.46 per engine, while the cost of a new class 8 heavy-duty truck is estimated to begin at \$113,000⁵. Additionally, any individual that purchases new light-duty vehicles will incur an incremental cost of \$0.34 per new vehicle purchased.

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¹ “California’s New Car Dealers Are Driving the California Economy,” 2018 Economic Impact Report, California New Car Dealers Association, <https://www.cncda.org/wp-content/uploads/2018-Economic-Impact-Report.pdf>

² “ATD Data 2018: Annual Financial Profile of America’s Franchised New-Truck Dealerships,” American Truck Dealers, 2018, <https://www.nada.org/WorkArea/DownloadAsset.aspx?id=21474846413>

³ Bureau of Automotive Repair History and Overview, Bureau of Automotive Repair, https://www.bar.ca.gov/About_BAR/History_and_Overview.html (accessed on May 14, 2019)

⁴ “Small business” is defined in Government Code section 14837(d)(1)(A).

⁵ Cannon, Jason. “What does a Class 8 truck really cost?,” January 25, 2016, CCJ Commercial Carrier Journal; <https://www.cjdigital.com/what-does-a-class-8-truck-really-cost/>