



TESTIMONY BY

**TIMOTHY J. REGAN
PRESIDENT
EMISSIONS CONTROL TECHNOLOGY ASSOCIATION**

**BEFORE THE
THE U.S. HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE
ON INTERIOR, ENVIRONMENT AND RELATED AGENCIES**

MARCH 13, 2008

Introduction

Mr. Chairman, thank you for the invitation to appear before you this morning. I appreciate the opportunity to propose FY09 funding for EPA's Diesel Emission Reduction Act ("DERA") program at \$70 million and for the EPA's State and local quality grants program at \$270 million.

My name is Tim Regan. I'm the President of the Emissions Control Technology Association ("ECTA") and an executive with Corning Incorporated. ECTA is a trade association that promotes public policies to improve air quality by reducing mobile source emissions through the use of advanced technologies.

ECTA represents the companies that have been at the cutting edge of mobile source emissions control technology for three and a half decades. Our members invented and developed the core, specifically the substrate and the catalyst, of the catalytic converter. Our technology has had a profound impact on the environment both here and abroad, removing 1.5 billion tons of pollution from American skies and 3 billion tons worldwide since 1975.¹

Thirty years ago, when the catalytic converter was first introduced, our industry was faced with the challenge of reducing nitrogen oxides from the transportation sector. Today, the challenge is to reduce the black smoke and smell from diesel exhaust. Once again, our industry has risen to the challenge by developing a full range of devices commonly known as "after-treatment" technology that remove fine particulate matter and other pollutants in diesel exhaust.

Our technology is required equipment on all new on-road heavy duty vehicles entered into service after January 1, 2007. This will make a significant contribution toward cleaner air and better health. In fact, EPA estimated at the time the so-called 2007 Highway Rule was promulgated that the technology would generate \$66 billion in economic and health benefits annually when the new vehicles significantly penetrated the fleet after the year 2020.²

¹ See Corning Press Release citing the Manufacturers of Emission Controls Association ("MECA") (February 15, 2005), <http://www.corning.com/environmentaltechnologies/media-center/press-releases/2005021501.aspx>.

² See Environmental Protection Agency (July 7, 2005), "2007 Heavy-Duty Highway Final Rule," i.e. <http://www.epa.gov/OMSWWW/diesel.htm>.

Obviously, there is a cost associated with installing this equipment on new vehicles, but the payoff is significant. EPA estimates that for every dollar spent on the technology \$16 of economic benefit will be generated.³

The Challenge

The challenge before us now is how to retrofit this new technology onto existing vehicles and engines that are being used today. These vehicles and engines do not have the emissions control technology that is required for new vehicles. Consequently, they are the “dirtiest” diesel devices in use, and there are a lot of them.

EPA estimates there are currently 11 million heavy duty diesel engines in use today. This compares to about 500,000 new clean diesel engines that are normally put in use annually. In other words, there are 22 existing engines in the fleet for every new clean diesel engine that is added each year.

Because diesel engines are so durable, the existing equipment in the fleet will not be fully replaced until the year 2030.⁴ The best way to clean up the existing fleet is to retrofit it with the same kind of technology that is being installed on new heavy duty vehicles. This retrofit equipment could include after-treatment devices, such as a diesel particulate filter or a diesel oxidization catalyst. It also could include vehicle replacement, engine replacement, engine rebuilds, and engine repair.

Unfortunately, the cost of purchasing and installing diesel retrofits oftentimes does not introduce enough operational efficiency to generate a return on the investment. So, equipment owners are understandably reluctant to invest in a retrofit unless they are given some form of financial assistance to help defray the cost. And, it makes sense for the public to help finance retrofits because diesel retrofits generate benefits in the form of cleaner air for all of society.

Congressional Action

To the credit of Congress, it has acted to provide the necessary financial assistance to promote the deployment of diesel retrofits. As you know Mr. Chairman, your Subcommittee started addressing this problem as far back as FY03. At that time, the Subcommittee took the lead in appropriating \$5 million to provide the original funding for the Clean School Bus USA program.

This program was founded to improve the health conditions of the 25 million children who ride diesel-powered school buses every day. EPA estimates that 40,000 school buses have been cleaned up during the lifetime of the Clean School Bus USA program, reducing the exposure of more than 1.5 million school children to the potential harmful effects of diesel exhaust. It marks a good beginning, but we still have a long way to go to clean up over 400,000 school buses that are currently on the road today.

Based on the positive experience with the Clean School Bus USA program, Congress took another big step in 2005 to advance the deployment of diesel retrofits. Specifically, as part of the Energy Policy Act, Congress proposed and passed the Diesel Emissions Reduction Act (“DERA”). This provision of law authorized the expenditure of \$1 billion over five years to

³ Ibid

⁴ See Senator Voinovich Press Release (June 16, 2005), http://voinovich.senate.gov/news_center/record.cfm?id=238996&.

finance diesel retrofits through grants and revolving loans. The authorization calls for the appropriation of \$200 million per year for FY07 through FY11.

Mr. Chairman, your Subcommittee has done a valiant job in trying to find the resources to fund DERA in FY08. These are difficult financial times. All Federal accounts are under stress, especially those under the jurisdiction of this Subcommittee. But under your leadership, your Subcommittee approved \$50 million in funding for this program last year, a 40% increase above the President's request. We appreciate the Subcommittee's efforts.

The Problem

Unfortunately, the demand for resources to fund diesel retrofits far exceeds the funds available. The best example of this is what has happened with the Clean School Bus USA program. During the first three years of the program, 292 grant applications for a total of \$106 million were submitted to EPA. Because of funding constraints, only 72 awards were made from the 292 applications, a 25% grant rate. In terms of funding, only \$17.3 million was awarded from the \$106 million requested, a 16% success rate.

This shortfall affected much of the country, especially the States represented on this Subcommittee. For example, applicants from the 12 States represented on the Subcommittee filed 124 grant applications with EPA under the first three years of the school bus program. These grant requests amounted to a total of \$43 million. EPA only awarded 27 of these grants totaling only \$6 million.⁵

Our Request

In light of this strong demand for funding, we respectfully request that the Subcommittee increase the level of funding for DERA above the amount requested by the President. The President proposed \$49.2 million. We urge the Subcommittee to increase funding for DERA by the same proportion that it did last year to a total of \$70 million for FY09. Last year, the President requested \$35 million and the Subcommittee appropriated \$50 million.

Rationale

We believe that this proposed increased level of funding is reasonable and appropriate for several reasons. First, it is fully consistent with the action taken by the Subcommittee last year when you increased DERA funding by 40% above the President's request.

Second, the demand for funding to purchase diesel retrofits far exceeds the supply of funds, as witnessed by our experience with the Clean School bus USA program.

Third, the money will be well spent because diesel retrofits have been proven to be one of the most cost-effective emission reduction strategies. Studies have shown that emission reduction strategies which involve the use of diesel retrofit technology can, in almost every case analyzed, achieve the lowest cost-per-ton of emissions reduced compared to a long list to other strategies for reducing emissions from the transportation sector.⁶ For example, installing a diesel

⁵ The data concerning the Clean School Bus USA program is limited to FY03 through FY05 because this is the only data available to the public by EPA

⁶ See ECTA comments (February 20, 2007) in Federal Highway Administration Docket No. FHWA-2006-26383, <http://dmses.dot.gov/docimages/p89/454896.pdf>, <http://dmses.dot.gov/docimages/p89/454899.pdf>

particulate filter on a Class 7 heavy duty truck is 15 times more cost-effective than replacing a conventional bus and 46 times more cost-effective than building an HOV lane.⁷

Fourth, spending on diesel retrofits generates a substantial return on an investment of 13 to 1. When DERA was enacted, EPA estimated that, if fully implemented, the program would generate \$20 billion of economic and health benefit for \$1.5 billion of cost. This cost includes both the Federal funding of \$1 billion and anticipated State and private sector match of \$500 million. In other words, for every dollar of government money spent, \$13 of economic and health benefit would be generated.⁸

Fifth, because DERA sets aside 30% of its funds for a State Grant Program, it can be used to help States bring their air quality in to conformity with Federal standards for particulate matter. Moreover, by providing additional Federal monies to States that match the DERA funds, the DERA State Grant program provides incentives to States to more proactively address diesel emissions in their region.

Finally, there is a very broad base of support for DERA and a level of funding for the program that far exceeds the President's request. From the beginning, DERA enjoyed strong support from both sides of the aisle in Congress and from the entire range of private interests and non-profit public interest groups. As evidence of this, I include in Appendix A to my testimony a letter co-signed by over 250 businesses, associations, and environmental groups asking the President to fully fund DERA in FY09. Few environmental programs enjoy such widespread support.

State and Local Air Quality Grants

We would also like to endorse the request for increased funding to support State and local air quality grants that is being recommended by the National Association of Clean Air Agencies ("NACAA") in their testimony before the Subcommittee. State and local governments hold primary responsibility for preventing and controlling air pollution. They rely on grants to carry out their core obligations under the Clean Air Act, including monitoring air quality, assessing emissions impacts, developing implementation plans permitting and inspecting sources, and enforcing environmental regulations.

Unfortunately, because of funding constraints, the State and air quality agencies grants have been on the decline. Last year, the grants were funded at \$216 million and the President has proposed reducing funding to \$185.6 million in FY09. We urge the Subcommittee to increase funding for these grants to \$270 million, the level being proposed by NACAA. As explained in NACAA's testimony, this level of funding is essential to carry out the critical mission of the State and local agencies.

Conclusion

Thank you again Mr. Chairman for the opportunity to appear before the Subcommittee. We urge you to fund DERA at \$70 million for FY09 because it is consistent with the proportional increase adopted by the Subcommittee last year and will result in the most cost-effective use of Federal funds to achieve emission reductions from the transportation sector.

⁷ Ibid, Table 4, p. 10, <http://dmses.dot.gov/docimages/p89/454896.pdf>

⁸ See Supra, Note 4

APPENDIX A

**LETTER CO-SIGNED BY OVER 250 BUSINESSES, ASSOCIATIONS AND
ENVIRONMENTAL GROUPS TO PRESIDENT GEORGE W. BUSH**

October 3, 2007

The Honorable George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Bush:

As a uniquely broad coalition of environmental, science-based, public health, industry, and state and local governmental groups, we request support in your Fiscal Year 2009 (FY09) budget for two important environmental programs. We urge full funding (\$200 million) for the Diesel Emissions Reduction Act (DERA) and \$270.3 million for state and local air quality grants.

Diesel-powered vehicles and equipment play an important role in the nation's economy and are getting cleaner every day. The Administration has developed programs to help address emissions from the estimated 11 million existing diesel engines in the legacy fleet that are not affected by the stringent emissions standards for new clean diesel engines. DERA, as authorized by the Energy Policy Act of 2005, is designed to provide significant emissions reductions from these existing engines whether publicly or privately owned. We request that you provide full funding for DERA and consolidate the other clean diesel programs, including the Clean School Bus USA Program, Diesel Truck Retrofit and Fleet Modernization Program, Engine Idling Reduction Program and National Clean Diesel Campaign, with the intent that they be carried out as authorized within DERA. We also urge that these funds not be limited to nonattainment areas.

This investment is needed and fiscally responsible, yielding one of the greatest cost-benefit ratios of any federal program, according to the Office of Management and Budget's calculations. It will go a long way toward helping states and localities meet the nation's clean air standards by encouraging the use of cost-effective emissions reduction strategies. Furthermore, similar to existing federal and state programs, the federal contribution will likely be dwarfed by the funding leveraged from other sources.

In past budgets, funding for the DERA program has been placed under the State and Tribal Assistance Grants (STAG) account in the budget of the U.S. Environmental Protection Agency (EPA). Since DERA requires that 70 percent of the appropriated funds be distributed by EPA and not state and local governments, we recommend that this program be funded through an EPA account other than STAG.

Additionally, we urge you to address the availability of Supplemental Environmental Project (SEP) funding in federal enforcement settlements to support diesel retrofits. A 2006 EPA memo put forth a new policy that diesel retrofits no longer qualify for SEP funding once Congress appropriates funds for DERA. While full funding of DERA is needed, EPA estimates that much more is required to finish the job. SEP funding is an effective way to improve air quality around the country without impacting the

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Treasury. More than \$60 million in diesel retrofit projects have been funded over the past few years through SEPs. With this in mind, we urge you to include language in your FY09 budget to clarify that SEP funds can continue to be used on diesel retrofit projects.

The second critical component of our request is that you increase funding for state and local air quality grants to \$270.3 million, a \$50-million increase above the FY06 appropriated level of \$220.3 million. State and local governments hold primary responsibility for preventing and controlling air pollution and rely on these grants to carry out their core obligations under the Clean Air Act, including monitoring air quality, assessing emissions impacts, permitting and inspecting sources and enforcing laws and regulations.

We urge increased grants because state and local air quality agencies are straining to maintain existing programs and address increasing responsibilities – such as developing State Implementation Plans to attain and maintain National Ambient Air Quality Standards, implementing clean air rules, and addressing toxic air pollutants. At the same time, federal grants for these programs have decreased by approximately one-third in terms of purchasing power over the last 15 years. Recognizing that resources are limited, we are requesting a fraction of the amount that is needed by these agencies, which are responsible for attaining and maintaining clean, healthful air.

States and localities and environmental, health, user and industry groups all support greater funding for diesel retrofits because it is sound environmental, economic and budgetary policy. We urge you to provide full funding for DERA, clarify SEP language in your FY09 budget and administer the program through an EPA account other than STAG. Similarly, we request that state and local air quality grants be funded at \$270.3 million because these grants are vital to achieve and sustain clean air and protect public health across the nation.

Sincerely,

Accurate Tank Construction, Inc.
Accurate Tank Technologies
Addressing Asthma in Englewood Project
Advocate Health Care
African American Health Council
Albany Port District Commission
Alternatives for Community and Environment (ACE)
Amalgamated Transit Union #416
Amalgamated Transit Union, Local 448 AFL-CIO
American Association of Port Authorities (AAPA)
American Bottom Conservancy
American Cancer Society (Illinois)
American Lung Association
American Lung Association - Southeast Region
American Lung Association of Delaware
American Lung Association of Illinois – Greater Chicago
American Lung Association of Iowa
American Lung Association of Minnesota

American Lung Association of New Jersey
American Lung Association of New York State, Inc.
American Lung Association of North Carolina
American Lung Association of North Dakota
American Lung Association of Pennsylvania
American Lung Association of Rhode Island
American Lung Association of South Dakota
American Lung Association of Tennessee
American Lung Association of the Upper Midwest
(ALAUM)
American Lung Association of West Virginia
American Lung Association of Wisconsin
American Road and Transportation Builders Association
Asian Health Coalition
Associated General Contractors of America (AGC)
Association of Equipment Manufacturers
Austin Physicians for Social Responsibility (PSR)
Autotherm Division Enthel Systems Inc.

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Back of the Yards Neighborhood Council
BASF Catalyst LLC
Beck Bus Transportation
Bell Associates International LLC
Broward County, Florida
California Air Pollution Control Officers Association
(CAPCOA)
Carolinas Clean Air Coalition
Caterpillar Inc.
Center for Neighborhood Technology
Center for Toxicology and Environmental Health, LLC
Central Indiana Clean Cities Alliance, Inc.
Centro Comunitario de Juan Diego
Chelsea Creek Action Group
Chelsea Green Space Recreation Committee
Chicago Asthma Consortium
Chicago Chapter of the Coalition of Labor Women
Chicagoland Bicycle Federation
Citizen Action - Illinois
Citizens Campaign for the Environment (NY)
Citizens for Pennsylvania's Future (PennFuture)
Clean Air Board of Central Pennsylvania
Clean Air Coalition of Harvey, Illinois
Clean Air Council, PA
Clean Air Task Force (CATF)
Clean Air Watch
Clean Diesel Technologies, Inc.
Clean Fuels Ohio
Clean Water Action - Connecticut
Clean Water Action - Pennsylvania
Clean Water Action - Rhode Island
Clean Water Action Alliance of Massachusetts
Clean Water Action of Texas
Community Bus Services, Inc
Computer Planning Associates, Inc. (Flourtown, PA)
Connecticut Coalition for Environmental Justice
Connecticut Sierra Club
Corning Incorporated
CSX
Cummins Inc.
Cummins NPower
Deere & Company
Dell Transportation
Detroit Diesel Corporation
Diesel Technology Forum (DTF)
Donaldson Company
Dorchester Environmental Health Coalition (DEHC)
Dousman Transport Company, Inc.
Durham School Services LLC
Dynamic Fuel Systems, Inc.
Earth Day Coalition's Clean Fuels Program
Eaton Corporation
Ecological Health Organization, Inc. (ECHO)
Elmwood Community Center (Providence, RI)
Emissions Control Technology Association (ECTA)
Emisstar LLC
Engine Control Systems Limited
Engine Manufacturers Association (EMA)
Environment Georgia
Environment Illinois
Environment Massachusetts
Environment North Carolina
Environment Northeast
Environment Ohio
Environment Texas
Environmental Concerns Coalition
Environmental Defense
Environmental Futurists at Southern Connecticut State
University
Environmental Health Watch (OH)
Environmental Law and Policy Center
Environmental Research Foundation
Essex County Environmental Commission
Extengine Transport Systems, LLC
Faith in Place
Farm Fresh Express
Foresight Design Initiative
Freightliner
Friends of the Moshassuck (RI)
GA ACORN
Georgia Coalition for the Peoples' Agenda
Georgia Conservancy
Georgia Kids Against Pollution
Greater Four Corners Action Coalition (GFCAC)
Green Environmental Coalition
Green Party of RI
GreenFaith
GreenLaw
Group Against Smog and Pollution (Pittsburgh, PA)
Health & Environmental Justice - St. Louis
Healthcare Consortium of Illinois
Healthy Chicago Lawn Coalition
Healthy Schools Campaign
Healthy Southeast Chicago Coalition
Hendrickson Bus Corporation
Hollywood North Park Community Association
Human Action Community Organization
Huntington Coach Corporation
Illinois Environmental Council
Illinois League of Conservation Voters

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Illinois Maternal & Child Health Coalition
Illinois Parent Teacher Association
Illinois Public Interest Research Group (PIRG)
Illinois School Transportation Association
Imagine Englewood if
Inland Detroit Diesel-Allison, Inc
International Black Women's Congress, New Jersey
Chapter
Izaak Walton League of America (Midwest Office)
Johnson Matthey, Inc
La Rabida Children's Hospital
Langford Inc.
Little Village Environmental Justice Organization
Manufacturers of Emission Controls Association (MECA)
Massachusetts Port Authority
McKinley Park Civic Association
Metro Seniors in Action
Metropolitan Chicago Healthcare Council
Metropolitan Mayors Caucus -- Clean Air Counts
Campaign
Mid-Ohio Regional Planning Commission (MORPC)
Minnesota School Bus Operators Association
Missouri Coalition for the Environment
Mobile C.A.R.E. Foundation
Mothers and Others for Clean Air (GA)
National Association for Pupil Transportation (NAPT)
National Association of Clean Air Agencies (NACAA)
National Association of State Directors of Pupil
Transportation Services
National Association of Waterfront Employers (NAWE)
National Conference of State Legislatures
National School Transportation Association
Natural Resources Defense Council (NRDC)
Navistar International Corp
Neighborhood of Affordable Housing (NOAH)
New Jersey Environmental Federation
New Jersey Environmental Justice Alliance
New Jersey Work Environment Council
NGK Automotive Ceramics USA, Inc.
North Carolina State Port Authority
Northeast States for Coordinated Air Use Management
(NESCAUM)
Nuestras Raices
Oak Park Department of Public Health
Oak Park Environmental and Energy Advisory
Commission
Ocean State Action (RI)
Ohio Bus Association
Ohio Contractors Association
Ohio Environmental Council
Ohio League of Conservation Voters

Ohio Manufacturers Association
Oregon Environmental Council
Pawtucket Alliance for Downtown Success (PADS) (RI)
Pennsylvania Council of Churches
Pennsylvania School Bus Association
People for Community Recovery
Pilsen Environmental Rights & Reform Organization
Pioneer Valley Community Environmental Health
Coalition
Pittsburgh Region Clean Cities
Port of Long Beach
Port of San Francisco
Port of Seattle
Port of Tacoma
Portland Clean Energy Taskforce
Public Citizen -- Texas Office
Public Health Institute of Metropolitan Chicago
Puget Sound Clean Air Agency
Purem NA LLC
Questink Urban Environmental Institute
Regional Air Pollution Control Agency
Renewable Energy Long Island (RELI)
Respiratory Health Association of Metropolitan Chicago
Rhode Island Committee on Occupational Safety and
Health (RICOSH)
Rhode Island Parent Teachers Association (RI PTA)
Rhode Island Society for Respiratory Care
RICHTER Foundation
RiverQuest (formerly Pittsburgh Voyager)
Robert Bosch LLC
Rogers Park Community Action Network
Sacramento Metropolitan Air Quality Management
District
San Luis Obispo County Air Pollution Control District
Scholastic Bus Company, NY
School Bus, Inc.
Shurepower, LLC
Sierra Club --- Allegheny Group
South Austin Community Coalition
South Shore Clean Cities
Southeast Environmental Task Force
Southern Alliance for Clean Energy
Southern Environmental Law Center
Southwest Clean Air Agency
Steel City Biofuels
Student Bus Company
Styline Logistics
Sunrise Transportation
Sustainable Energy and Economic Development (SEED)
Coalition
Team Work Englewood

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Tenneco Automotive
Tennessee Department of Environment and Conservation
Texas Campaign for the Environment
Texas Center for Policy Studies (TCPS)
The Center for the Celebration of Creation (Philadelphia,
PA)
Connecticut Youth Activist Network
Great Land Conservation Trust
The Kent Environmental Council
The Mayor's Health Task Force (Lawrence, MA)
The Northeast Ohio Clean Fuels Program
The Port Authority of New York & New Jersey
Thomas Built Buses, Inc.

Transit Union Local 732 (GA)
Turner Environmental Law Clinic -- Emory University
School of Law
Umicore Autocat USA Inc.
Union of Concerned Scientists
United Motorcoach Association
United States Chamber of Commerce
Virginia Port Authority
Voices for Illinois Children
WE ACT for Environmental Justice, Inc. (WE ACT)
West District Health Council
Wisconsin Clean Cities - Southeast Area, Inc.
Wisconsin Department of Natural Resources

Cc: Stephen Johnson, Administrator, Environmental Protection Agency
Jim Nussle, Director, Office of Management and Budget