



Rush Enterprises, Inc. | 555 IH35 South, Suite 500 | New Braunfels, TX 78130 | 830-302-5200 direct | 800-973-7874 toll free

May 14, 2018

Ms. Stephanie Bergeron Perdue, Interim Executive Director
Mr. Steve Hagle, P.E., Deputy Director, Office of Air
Texas Commission on Environmental Quality
12100 Park 35 Circle
Austin, TX 78753

RE: Texas' Volkswagen Settlement Environmental Mitigation Trust

Dear Executive Director Perdue and Deputy Director Hagle:

Rush Enterprises, Inc. ("Rush"), which is a Texas corporation, headquartered in New Braunfels, Texas and North America's largest commercial vehicle dealer group, respectfully submits the following comments to the Texas Commission on Environmental Quality ("TCEQ") for consideration when developing Texas' Volkswagen ("VW") Beneficiary Mitigation Plan ("BMP") to deploy VW Environmental Mitigation Trust ("EMT") funds.

The EMT funds represent a historic opportunity for Texas to improve air quality and simultaneously stimulate the Texas economy. Rush's customer base represents the core of Texas' transportation sector and we believe it is critical to use these funds to deploy funding programs that make an immediate and tangible impact on air quality and related public health issues. According to the TCEQ, over 50% of Texas' NOx emissions are generated by on-road mobile sources¹; therefore Rush recommends that the TCEQ use its \$209 million EMT allocation to incentivize public and private fleets to replace older diesel vehicles with new, commercially available cleaner vehicles.

Goods movement is fundamental to the Texas economy. Using these funds to deploy new, cleaner on-road trucks and buses will generate economic stimulus in the state of Texas by stimulating truck and bus manufacturing and sales, and will also create demand for fuels produced within the state such as diesel, natural gas and propane.

Our recommendations below are based on several key principals and strategies for how the BMP can optimally allocate funds to maximize NOx reductions in a cost-effective, equitable manner while generating economic benefits for Texas. These include:

- A majority of the funds should be used for medium and heavy- duty vehicle grants
- Vehicle grants should be awarded based on NOx emissions reduced per grant dollar awarded as determined by the AFLEET model
- Accelerate the funding in the early years to maximize the NOx reduction benefits and only grant funding awards for commercially available products that can be put into service at the time of the award
- Grantees should be able to purchase vehicles to scrap
- Economic and tax base benefits for Texas should be taken into consideration

¹ <https://www.tceq.texas.gov/airquality/areasource/emissions-sources-charts/2011texasNOXemissions/view>



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Recommendation #1: A majority of the funds should be used for medium and heavy-duty vehicle grants

Out of all the eligibility categories under the VW settlement, Class 4-8 vehicles are the largest contributors of NOx emissions and operate in every corner of the state. Therefore, reduction of emissions in Class 4-8 vehicles will provide the greatest benefit for all areas: urban, suburban and rural alike. Concentrating EMT funding for Class 4-8 vehicles will accelerate fleet turnover and encourage adoption of safer advanced technology vehicles in a wide variety of fleets, thereby multiplying the positive effect well beyond the emission reductions.

Recommendation #2: Vehicle grants should be awarded based on NOx emissions reduced per grant dollar awarded as determined by the AFLEET model

Texas needs to use the EMT funds to reduce as much NOx as possible in the shortest amount of time. In order to maximize the effectiveness of the EMT funds, grant applications should be evaluated and awarded based on NOx reductions achieved per grant dollar awarded. The AFLEET model developed by the Argonne National Laboratory serves as the most up-to-date and comprehensive emissions calculator available. It takes into consideration not only reductions from engines certified to low-NOx and near-zero standards, but also incorporates the latest emissions data on those engines certified to the current federal standard.

Recommendation #3: Accelerate the funding in the early years to maximize the NOx reduction benefits and only grant funding awards for commercially available products that can be put into service at the time of the award

Texas has a major air quality problem that needs to be addressed as soon as possible. According to the TCEQ, in many urban areas of the state, mobile sources are responsible for anywhere from 50% to 80% of the NOx emissions that contribute to ozone.² Using these funds immediately to replace old diesel trucks and buses will generate significant emission reductions that will provide major health benefits to the citizens of Texas. Texans need clean air now and should not have to wait for unproven technology when commercially proven technologies are available today.

Recommendation #4: Grantees should be able to purchase vehicles to scrap

Under the VW settlement, grantees are required to scrap a pre-2010 vehicle in their fleet. This reduces the value of an EMT grant by the market value of the vehicle that will be scrapped. Additionally, many fleets might only have newer vehicles and will not have any vehicles that make economic sense to scrap. Fleets that have numerous older trucks typically have these older trucks because the owners of the fleets cannot afford to purchase new trucks. Therefore, the scrappage requirement could greatly reduce participation in the EMT grant program because many of those fleets with the financial ability to acquire new vehicles don't have vehicles to scrap and many of those fleets with vehicles to scrap don't have the financial ability to acquire new vehicles even with the assistance of an EMT grant. However, it is possible to resolve this potential reduction in participation by allowing grantees to purchase vehicles to scrap. Texas should allow EMT grant applicants the option to be pre-approved on the condition that they will buy a vehicle to scrap that is registered in Texas at the time of the grant application and is capable of operating for a minimum of two more years as has already been

² <https://www.tceq.texas.gov/airquality/areasource/texas-emissions-graphical-representation>



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incorporated into the Texas Emissions Reduction Plan ("TERP") . This provision will provide greater flexibility in the EMT grant program and increase the pool of potential applicants as it has with TERP.

Recommendation #5: Economic and tax base benefits for Texas should be taken into consideration

The commercial vehicle industry is a major contributor to the Texas economy. According to a report prepared by the Office of the Governor, "Texas is nationally ranked in the top ten for automotive manufacturing employment and establishments, the size of its vehicle retail market, and the number of vehicle registrations."³ Incentivizing public and private fleets to replace older diesel vehicles with new, commercially available cleaner vehicles will stimulate many arms of Texas' commercial vehicle industry by stimulating the sale of commercial vehicles throughout the State of Texas, many of which will also be manufactured in the state. The State also should ensure that we gain the sales tax benefits that will occur from selling the vehicles, so we strongly recommend that all vehicles awarded VW funding should be required to be purchased from licensed dealerships physically located in Texas. Further, incentivizing the use of commercial vehicles powered by natural gas not only dramatically reduces emissions, but also increases the use of a Texas natural resource thereby increasing revenues from the state's 7.5 percent natural gas production tax. Ultimately, TCEQ should give priority to projects that favor commercial vehicles manufactured in Texas, sold by dealerships located in Texas that operate on fuels that are produced in Texas.

Thank you for the opportunity to submit comments on this truly unique and exciting opportunity. Rush looks forward to continued engagement as this process progresses and partnering with the TCEQ to ensure successful program deployment!

Sincerely,

A handwritten signature in black ink, appearing to read "Rusty Rush", written over a white background.

Rusty Rush
President and Chief Executive Officer

³ <https://businessintexas.com/sites/default/files/07/24/17/txauto.pdf>