BIG SUCCESS FOR INDUSTRY AND AIR QUALITY IN TEXAS

THE INNOVATIVE TEXAS EMISSIONS RETROFIT GRANT PROGRAM PROVIDES EFFECTIVE INCENTIVES WITHOUT COSTLY GOVERNMENT MANDATES

AGC ENVIRONMENTAL SOLUTIONS

AGC contractors in Texas are part of a remarkably successful voluntary program that may serve as model for the rest of the nation on how to meet both the needs of industry and EPA air quality goals, without sacrificing either. More than 40 AGC member companies are set to voluntarily reduce pollution from their construction equipment and vehicles in a notable effort to help clean up the air in Texas.

"It's really a tribute to what can be accomplished when all stakeholders are part of the process in finding a solution," says Bob Lanham, chair of AGC's Environmental Resource Committee. "Because we contractors marched down to the local planning commission and demanded our place at the table, we were able to sit down and brainstorm with local air quality experts. The Texas Emissions Reduction Plan [TERP] was the brilliant result of those efforts."

AGC CONTRACTORS SIGN UP FOR CLEANER AIR

AGC contractors throughout Texas have stepped up to "retrofit" their fleet, a term broadly defined to mean:

- ❑ Purchase cleaner equipment;
- ❑ Replace old diesel engines;
- ❑ Retrofit engines with emission reduction technology and/or; and
- ❑ Use cleaner-burning fuel.

As a result of these so-called retrofits, the construction industry will be credited with removing almost 6,000 tons of ozone-producing nitrogen oxide (NOx) from Texas air.

AGC MEMBERS SIGN UP FOR TERP IN DROVES

SAVING TEXAS FROM A TOTAL OF NEARLY 6,000 TONS OF NOx EMISSIONS OVER NINE YEARS

AGC Applicant	Approved Amount	Project Life (years)	Total Approx. Projected NOx Reduction (tons)
AAA Asphalt Paving Inc.	$48,669	5	6.95
Acme Brick Company	$406,000	5	58.02
Austin Bridge & Road LP	$433,000	5	61.94
Austin Engineering Co. Inc.	$9,310	5	1.33
Austin White Lime Co.	$117,000	5	16.84
Austin White Lime Co.	$828,000	7	118.36
Austin White Lime Co.	$26,180	6	3.74
BFI Waste Systems of North America Inc.	$204,000	5	29.19
Boring & Tunneling Co. of America Inc.	$123,882	5	19.17
Boyer Inc.	$63,889	5	9.13
Brown Excavation Co. Inc.	$39,213	5	5.60
Capital Excavation Co.	$20,233	5	2.89
Centex Materials LLC	$221,580	5	32.35
Centex Materials LLC	$22,533	5	3.22
Cherry Crushed Concrete Inc.	$460,000	5	65.75
Craig, Sheffiled and Austin Inc.	$17,780	8	2.54
Dallas Area Rapid Transit	$535,000	9	79.57
Dean Word Company Ltd.	$120,000	5	30.26
Dean Word Company Ltd.	$331,000	7	47.42
Dean Word Company Ltd.	$396,000	7	56.63
Dorsett Brothers Concrete Supply Inc.	$111,000	5	15.94
Double Eagle Foundation Drilling Inc.	$35,644	5	5.09
Durwood Greene Construction LP	$103,000	5	14.73
Elgin Butler Brick Co.	$65,380	5	9.34
Ella Contracting Inc.	$112,381	5	16.05
Fordyce Ltd.	$337,000	5	48.18
Foundation Drillers Inc.	$346,000	7	49.50
Four D Construction Inc.	$25,333	5	3.62
Haegelin Construction Company Ltd.	$81,970	5	11.71
Hanson Aggregates Inc.	$1,225,866	5	175.12
J.D. Abrams LP	$165,900	7	23.70
James B. Arnold Construction Inc.	$77,910	5	11.13
Martin Marietta Materials Southwest Ltd.	$418,606	6	59.80
North Texas Contracting Inc.	$109,830	5	15.69
Odeen Hibbs Trucking Co.	$285,000	5	40.78
Schramme Construction Co.	$13,020	7	1.86
Shumaker Enterprises Inc.	$208,950	7	29.85
Shumaker Enterprises Inc.	$45,913	5	6.56
Southern Mechanical Plumbing Inc.	$43,841	5	6.26
Southwest Constructors Inc.	$14,693	7	2.10
Texas Lehigh Cement Co. LP	$455,254	7	65.04
Texas Lehigh Cement Co. LP	$96,670	5	13.81
Texas Lehigh Cement Co. LP	$130,690	5	18.67
Texas Lime Company	$226,528	5	41.31
Texas Lime Company	$100,820	5	14.40
Texas Shafts Inc.	$206,000	7	29.51
Texas Shafts Inc.	$134,890	5	19.27
Transit Mix Concrete and Materials Co.	$249,000	5	35.65
Trinity Materials Inc.	$495,914	7	89.00
TXI Chaparral Steel Midlothian LP	$105,000	5	15.02
TXI Chaparral Steel LP	$48,510	5	6.93
TXI Operations LP	$221,000	5	31.71
TXI Operations LP	$48,580	5	6.94
TXI Operations LP	$225,759	5	49.57
TXI Owen Plant	$105,280	7	15.04
Union Pacific Railroad Co.	$7,187,500	7	1625.08
Union Pacific Railroad Co.	$3,020,000	5	748.91
Union Pacific Railroad Co.	$3,020,000	5	570.28
Vulcan Construction Materials LP	$1,574,930	7	224.99
Vulcan Construction Materials LP	$1,913,450	7	273.35
Waste Management of Texas Inc.	$2,215,000	7	316.44
Williams Brothers Const. Co. Inc.	$29,000	5	4.20
Williams Brothers Construction Co. Inc.	$3,730,000	5	532.95
Yarrington Road Materials LP	$98,000	7	14.00
Totals for all companies listed	$33,888,280		5959.98

Showing its strong support, the Texas Commission on Environmental Quality (TCEQ) is awarding pollution reduction grants to these AGC companies totaling approximately $33.9 million, under the provisions of TERP. "So far, the number of applications has far exceeded the amount of money they had to give away, which is a testament to the outstanding participation rate for this program," says Jennifer Newton director of natural resources and public affairs, AGC of Texas Highway, Heavy, Utilities, and Industrial Branch. "We're really proud of our members and our industry for stepping up to the plate and participating in the program." AGC's Texas chapters helped to forge the legislation that made TERP possible and, once the program went into effect, have sponsored workshops to educate AGC members about how to apply for grants.

Certainly the U.S. Environmental Protection Agency is taking notice of TERP. The program accords well with the agency's philosophy that industry-specific incentives are best. According to Peter Truitt, AGC's point of contact, "TERP shows how well designed incentives can bring results. EPA is paying close attention to what lessons can be learned from that experience. The tremendous response the program has received from contractors fulfills the objectives of our national program (see sidebar, this page), and we'd be delighted if we could get that kind of response nationwide."

TERP WILL PRODUCE CLEANER AIR...JUST ASK ENVIRONMENTALISTS

The TERP program was created by the Texas Legislature to provide financial incentives to construction (and other) companies for voluntarily reducing NOx emissions from their equipment and vehicles. According to TCEQ, these reductions will help to ensure that Texas will meet the upcoming federal Clean Air Act deadlines.

Public Citizen, an environmental and consumer watchdog group that considers the program an unqualified success, confirms TERP's effectiveness in meeting Clean Air Act goals. "TERP is one of the most cost-effective ways to reduce pollution from diesel engines in the state, and AGC's efforts in helping pass the legislation and educate its members has made it a success," says Tom Smith, state director, Texas office, Public Citizen. "The program will effectively reduce nitrogen oxide as well as reduce fine particles and thereby reduce the urban heat that occurs when the soot absorbs the sun's energy."

The grants contain requirements that the equipment or vehicles must be operated in the applicable area for a defined number of years, so that the emission reductions will be achieved in those areas. The TCEQ has contracted with outside auditing firms to ensure these grant funds are used properly. Companies and governments that receive TERP funds will be audited to make sure the low emissions equipment was obtained or cleaner burning fuel was actually used. According to Steve Dayton, TERP program coordinator, TCEQ, the grant recipients are completely cooperative and accepting of the prospect of audits: "Everyone understands what needs to be done—that this is what EPA needs as proof of compliance—so everything is working as it should. Everyone is stepping up and doing the right thing."

Current legislation authorizes the TERP program through 2008, with yearly funding estimated at more than $100 million per year. Money to fund the grant program comes in part from fees collected on the sale and use of construction equipment. In addition to these "emission reduction incentive" grants, TERP also offers grants to help expedite the commercialization of cleaner and more cost-effective technologies. The TCEQ presented nine state-wide workshops in August on FY05 funding for TERP emission reduction incentive grants and small business grants and 12 more such workshops in November.

ENVIRONMENTAL SOLUTIONS

Currently, EPA does not require owners or operators of nonroad construction equipment to reduce emissions from their old, in-use diesel engines. Instead, the agency has adopted the "Voluntary Diesel Retrofit Program" to encourage contractors to reduce emissions from such equipment by installing advanced engines and/or emissions control systems.

More information is available on the Internet at

www.epa.gov/otaq/retrofit/overview.htm

WHY RETROFIT?

Like all Americans, AGC contractors are interested in cleaner air and willing to do their part. If states cannot comply with the national air quality standards set by the U.S. EPA, construction bans and the loss of highway funds could be triggered. Unfortunately, the limited availability of EPA-verified retrofit devices for nonroad applications and their high cost to purchase, install, and maintain leave fleet owners with few options. Texas is one of only a handful of states that provide direct financial assistance to contractors who retrofit their diesel equipment to reduce emissions.

THE WRONG APPROACH

For many states struggling to meet strict federal air quality standards, new clean diesel technologies seem like a solution. However, the Clean Air Act and EPA regulations preclude states (except California) from requiring retrofitting of old, in-use nonroad engines. Nonetheless, some states and localities are acting in violation of this federal preemption (e.g., New Jersey and New York City). In addition, public owners (mainly state departments of transportation) are starting to make retrofit a de-facto "requirement" through the use of contract specifications and bid preferences (e.g., California, Connecticut, Massachusetts, and New York City).

AGC is working to educate policymakers on the serious and legitimate concerns surrounding retrofit mandates. A contractor's net worth is determined by the equipment that it owns. Any attempt by the government to render a construction company's fleet obsolete would end that company's ability to borrow money, to bid work, and to bond work. Regardless of the company's size, it's gone overnight. What is more, in today's competitive bid environment, government actions that modify contract awarding procedures to favor certain contractors—depending on whether or not they retrofit—can restrict competition and disenfranchise small and minority-owned construction companies.

For public officials, the challenge is to identify a better incentive structure. TERP is a shining example of how to balance contractor business/economic concerns with air quality goals. The lesson learned is that public-private partnerships can solve air quality problems.

FOR MORE INFORMATION

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