

Utility Consumers' Action Network

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Monday, March 30, 2009
Via FAX-Page One of Two

Mary D. Nichols
Chairman
California Air Resources Board
1001 "I" Street
Sacramento, CA 95812

RE: Request to save thousands of California jobs.

Dear Chairman Nichols:

This is a request to temporarily suspend the April 1, 2009 deadline for Rule 461 by CARB, the California Air Resources Board, for one year until lending activity by banks resumes. We believe that absent some deferral, gasoline prices in California will increase appreciably.

While well intentioned, Rule 461 could push thousands of small California business and employers to the brink of bankruptcy. Within the next few weeks, hundreds of Mom-and-Pop gasoline retailers will likely close their doors forever due to the lack of financing to make the upgrades. Thus, by enforcing Rule 461, UCAN projects that gas prices will increase; local governments will lose tax revenue, and as many as 30% of California's 11,000 gas stations could ultimately be forced to close their doors. We believe Rule 461 is a valid rule. UCAN's concern is one of timing.

Rule 461 Defined: Rule 461 (Enhanced Vapor Recovery) mandates the installation of "dripless" nozzles on all gas pumps by April 1st, 2009 for environmental reasons. Gas stations that are non-compliant, must either close their doors or face stiff monthly fines from local Air Resource Boards.

The problem: Due to the current financial crisis, and razor-thin profit margins during 2008, these dealers are a cash-poor endangered species. Moreover, they have been unable to obtain financing for the purchase of pumps that comply with Rule 461. The banks are not lending. At this time, CARB estimates that 30% of all gas stations in California (roughly 3,250 stations) will be non-compliant on April 1.

Why it will create job losses: Assuming that each station employs an average of three employees, more than 9000 California jobs will be threatened by the closures.

Why gas prices will increase: UCAN has studied California gasoline markets since 1996. One of our most critical findings is that small locally owned gas stations (the “Mom and Pop” gas stations) are the most competitive stations in any market. These stations tend to set the price “floor” for the major brands.

We have repeatedly demonstrated that neighborhoods that have more independent stations also have lower prices. By allowing these stations to perish, gas prices will increase.

By issuing a one-year waiver of Rule 461, you will prevent thousands of lost jobs, stop hundreds and hundreds of small business bankruptcies, and help maintain a more competitive environment for retail gas prices.

Sincerely,



Michael Shames
Executive Director
Utility Consumers' Action network