



# California Energy Commission Committee Workshop

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Rubber Manufacturers Association Presentation

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# Historical Perspective

- 2001 - SB 1170 Scher
  - “Develop and adopt recommendations ... for a California State Fuel Efficient Tire Program”
  - “A rating system for tires that provides consumers with information on the fuel efficiency of individual tire models”
  - “A consumer friendly system to disseminate tire fuel efficiency information as broadly as possible”
- 2003 – AB844
- 2009 – Staff Draft Regulations



# Historical Perspective

- 2001 – SB 1170 - Scher
- 2003 – AB844 Nation
  - ‘The Commission shall develop and adopt all the following:
    - a) A database of the energy efficiency of a representative sample of replacement tires...
    - b) Based on the data collected pursuant to subdivision a) a rating system for the energy efficiency of replacement tires... that will enable consumers to make more informed decisions...
    - c) Based on the test procedures adopted pursuant to subdivision a) and the rating system established pursuant to subdivision b) requirements for tire manufacturers to report...’
- 2009 Staff Draft Regulations
  - Fuel Efficient Tire Program



# Staff Draft Regulations

- Using ISO 28580 test procedure report Rolling Resistance force measurements for three samples of every SKU sold in California
- CEC will determine the lowest RRf value submitted for every combined tire size designation and load index after all data is submitted
- CEC will assign, after data is reported, to the 'Fuel Efficient Tire' category all tires with reported RRf values within 15% of the lowest reported value for every combined tire size designation and load index— but no mention is made of speed index
- CEC will award, after the data is submitted, to the 'Tires That Are Not Fuel efficient' category all tires with reported RRf values not within 15% of the lowest reported value for every combined tire size designation and load index
- All data for existing products to be reported by July 1, 2011



# Industry Observations

- Extraneous data that is not related to, and does not support the AB844 objective of “...a rating system for the energy efficiency of replacement tires sold in the state that will enable consumers to make more informed decisions...”, is required to be reported
  - special features – runflat, color tread
  - tread and sidewall ply and material identification
  - sidewall lettering – blackwall, whitewall, outline black letter
  - diameter
  - tire weight
  - ...



# Industry Observations

- The proposed regulation does not satisfy the requirements of AB844
  - A representative data base based on the selected test method was not developed
  - Rating system is not derived from the representative data base
  - Reporting is required before the rating system is established
- Reporting and auditing requirements do not account properly nor completely for technical measurement uncertainty
- Should distributors and importers be included in scope to account for tires produced offshore and imported?



# Industry Observations

- Implementation schedule is not coherent with the consultant study the Energy Commission contracted and paid for
  - In the February 5, 2009 workshop Smithers Scientific Services, Inc. identified a 15-18 month acquisition and implementation schedule for the necessary new testing equipment as well as potential execution timeframes for all the required testing ranging from 1 to eight years.
  - By the time this regulation is approved and implemented the reporting deadline will be less than two years away
- Aside from the requirement that all current tires be reported on by July 2011, there is no timeline established for ratings to be assigned or consumer information made available by the Commission



# Industry Observations

- Simplistic 'Fuel Efficient Tire/Tires That Are Not Fuel Efficient' categorization does not allow maximizing of –
  1. Consumer differentiation in the fuel efficiency of their selection
  2. Manufacturer differentiation of their product offering, and therefore consumer choice
  3. Competition among manufacturers that will lead long term market transformation



# Industry Observations

- Simplistic ‘Fuel Efficient Tire/Tires That Are Not Fuel Efficient’ categorization does not allow maximizing of –
  1. Consumer differentiation in the fuel efficiency of their selection
    - Because of specific vehicle requirements or other constraints some consumers may only be able to select between several ‘Tires That Are Not Fuel Efficient’. These consumers should be able to make a decision based on the relative fuel efficiency of tires in their consideration set. There could be a huge range of RR spread in the ‘Not Fuel Efficient Tires category. This proposal substantially hinders these consumers ability to choose tires based on fuel efficiency



# Industry Observations

- Simplistic ‘Fuel Efficient Tire/Tires That Are Not Fuel Efficient’ categorization does not allow maximizing of –
  2. Manufacturer differentiation of their product offering, and therefore consumer choice
    - Tire size / load rating / speed rating offerings are not determined by tire manufacturers but rather by vehicle requirements
    - Full line tire manufacturers will have multiple tire lines in each category
    - In order to transform the market manufacturers will need to be able to differentiate lines in the eyes of the consumer



# Industry Observations

- Simplistic ‘Fuel Efficient Tire/Tires That Are Not Fuel Efficient’ categorization does not allow maximizing of –
  3. Competition among manufacturers that will lead long term market transformation
    - Competition among manufacturers is one of the strongest drivers in market transformation
    - If all we have is an either/or categorization we cannot differentiate our products from those of other manufacturers
    - If we cannot differentiate ourselves on any particular measure it won’t be advertised or marketed thereby reducing its effectiveness at market transformation



# Industry Observations

- Assigning categories dependant on data submitted at an unknown frequency severely limits manufacturers ability to market the performance advantages of new products
  - Presentations at the November 17 “Selling the Fuel Efficient Tire – A Roundtable for Retailers and Consumers” showed that in order for consumers to be able to use fuel efficiency as a selection criteria the information must be:
    - simple and easy to understand
    - readily available to retail salespeople
  - If we do not know in advance what the rating will be we cannot advertise and prepare commercial launch material
  - True market transformation will only come if consumers change their buying behavior – and this requires available information



# Industry Observations

- Tires will periodically be removed from the 'Fuel Efficient Tire' list as new models are introduced with lower RR
  - This will prevent manufacturers from investing in advertising and Point of Sale material if status can change unexpectedly



# Industry Observations

- The tire size based groupings could lead to incorrect and even unsafe tire selections
  - If multiple tire sizes are legitimate for a vehicle the consumer cannot compare directly between them as they are not rated against the same criteria
  - Basing ratings on RRf rather than RRc could lead consumers to select tires that are too small for their vehicles as we saw in the April 8 workshop
  - The above issues may deteriorate consumer confidence and trust in the program



# Industry Observations

- Reversing the order of AB844 steps by requiring reporting of test data and Commission action before tires are assigned a category would delay the availability of actionable information to consumers and therefore delays the benefit to the State of California.
  - Manufacturers cannot develop advertising and promotional material in advance – only after the Commission makes its decision
  - Waiting for full data reporting to be available before any information is given to consumers does not assure better, more actionable information is available
  - Some information earlier is better than more information later in this case



# Industry Observations

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- It is our conclusion after reading the Staff proposal that the exemptions apply strictly to the types and quantities of tires sold solely within the State of California
- Data reporting requirements on exempt tires does not support actionable consumer information
- The data reporting requirements will result in additional staff being hired by each manufacturer
- It appears that large data management requirements on the part of the Commission could result in significant additional staffing needs



# Industry Observations

- There is no indication that CEC data collection or industry input has been incorporated in the development of the proposed regulation
- Over the last six years significant expenditures of time and money have been made in support of developing a database per AB844:
  - CEC RR testing
  - Industry RR testing
- However none of this information is reflected in the proposed Staff Regulation



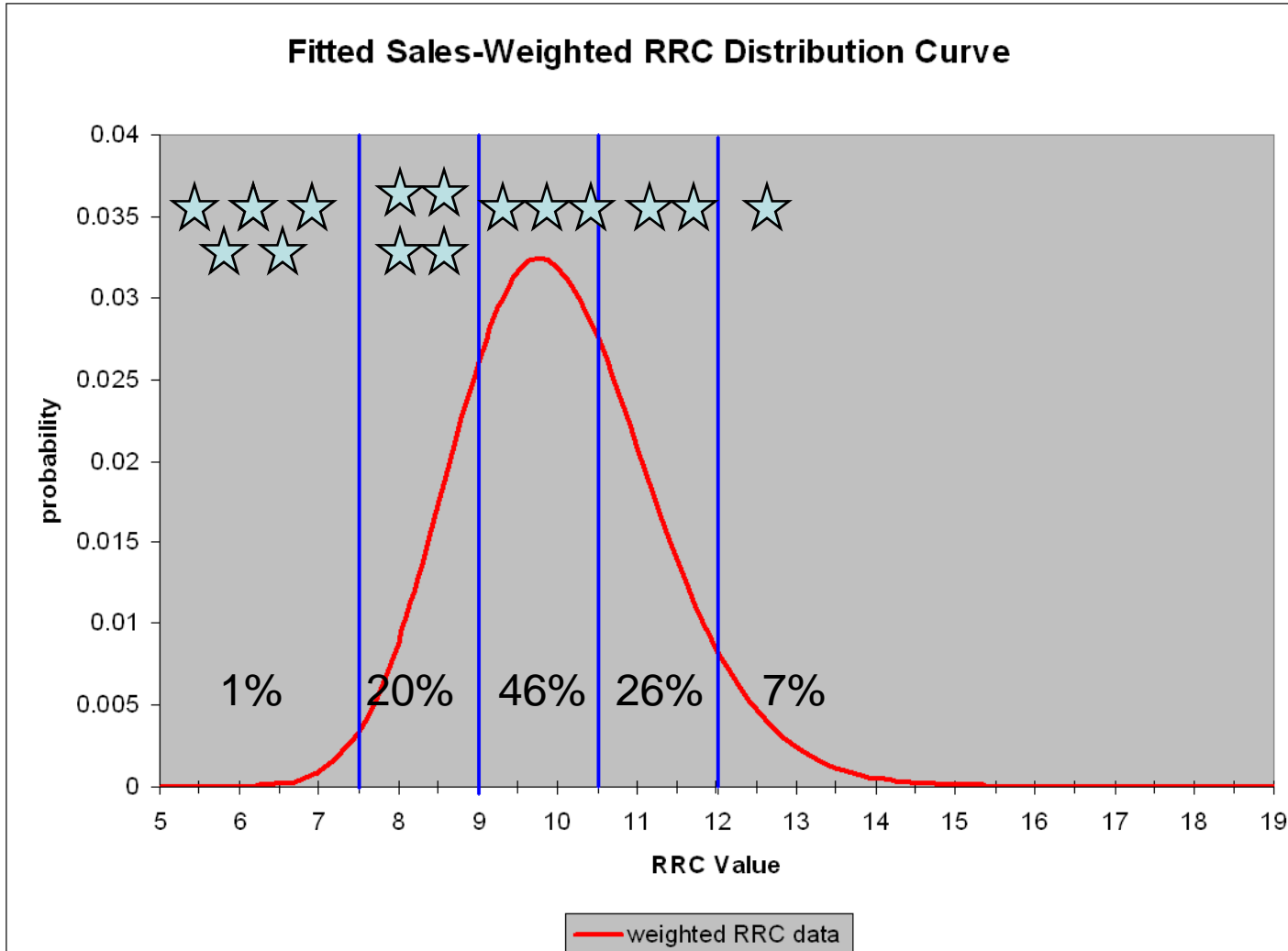
# Industry Proposal

- The industry's proposed categorical rating system, formally shared during the April 8, 2009 Staff Workshop:
  - A five category incremental scale based on Rolling Resistance Coefficient measured according to ISO 28580.

| <b>number of stars</b> | <b>minimum RRC</b> | <b>maximum RRC</b> |
|------------------------|--------------------|--------------------|
| <b>5</b>               | <b>NA</b>          | <b>7.5</b>         |
| <b>4</b>               | <b>&gt;7.5</b>     | <b>9.0</b>         |
| <b>3</b>               | <b>&gt;9.0</b>     | <b>10.5</b>        |
| <b>2</b>               | <b>&gt;10.5</b>    | <b>12.0</b>        |
| <b>1</b>               | <b>&gt;12.0</b>    | <b>NA</b>          |



# Industry Proposal





# Industry Proposal

- The industry's proposed categorical rating system, formally shared during the April 8, 2009 Staff Workshop provides:
  - Ratings based on Rolling Resistance Coefficient
    - Testimony during the April 8 workshop showed that RRc is a more reliable indicator for the consumer population than RRf
  - More robust, reliable information to consumers
  - Efficiency and cost/benefit gains for both the Commission and the Industry
  - Proven effectiveness at market transformation and consumer purchase modification



# Industry Proposal

- More robust, more reliable information for consumers
  - The continuous 5 category scale would allow consumers to prioritize between any tires regardless of where they fall on the scale
  - In the Staff proposal-
    - The difference in fuel economy between the lowest RR tire and one 15% higher (both ‘Fuel Efficient’) could be 2% in fuel economy. Without categorical grades consumers would not be able to see this or base their choice on it.
    - The same applies for the range of ‘Tires That Are Not Fuel Efficient’. Differences in Rolling Resistance could represent significant fuel economy but without categorical grades consumers (and retail sales associates) would be unaware of the potential savings. They would see all “Not Fuel Efficient Tires” as the same.



# Industry Proposal

- **Cost/Benefit Gains for the Commission and Industry**
  - A data and record keeping intensive program requires significant investment on the part of the Commission due to ongoing expenses for acquiring and maintaining data expertise, data quality assurance, hardware and software maintenance as well as personnel expenses. This will require the creation and operation of a bureaucracy with its associated overhead
  - Industry costs for a data reporting scheme are in excess of \$20MM. Industry costs for a categorical rating system are \$4MM as presented during the April 8, 2009 workshop. These figures were developed before the extent of the reporting requirements was known.



# Industry Proposal

- **Cost/Benefit Gains for the Commission and Industry**
  - In the Staff Proposal there is no timeline for consumer information to be available
  - July 2011 date is for manufacturer reporting to CEC after which the Commission must evaluate and assign tires to categories which only then can be utilized by retailers and consumers
  - Consumer actionable data from the industry's proposal could begin to be available almost immediately with all information available in two years, as presented in the April 8, 2009 workshop



# Industry Proposal

- A Categorical Rating System easily lends itself to quantifiable savings estimations between grades in terms of fuel saved, money saved and GHG reduction

## Estimated Annual Fuel Savings In Gallons (for illustration purposes only)

|                | Vehicle Category |         |         |           |     |        |    |
|----------------|------------------|---------|---------|-----------|-----|--------|----|
|                | Hybrid           | Compact | Midsize | Full Size | SUV | Pickup |    |
| Energy Upgrade | 1>2 Star         | 6       | 8       | 10        | 12  | 14     | 16 |
| 2>3 Star       | 6                | 8       | 10      | 12        | 14  | 16     |    |
| 3>4 Star       | 6                | 8       | 10      | 12        | 14  | 16     |    |
| 4>5 Star       | 6                | 8       | 10      | 12        | 14  | 16     |    |

Assumption 15,000 miles per year mostly highway driving, passenger commuting, OE Vehicle placard size, inflation and speed rating, posted legal speed limits

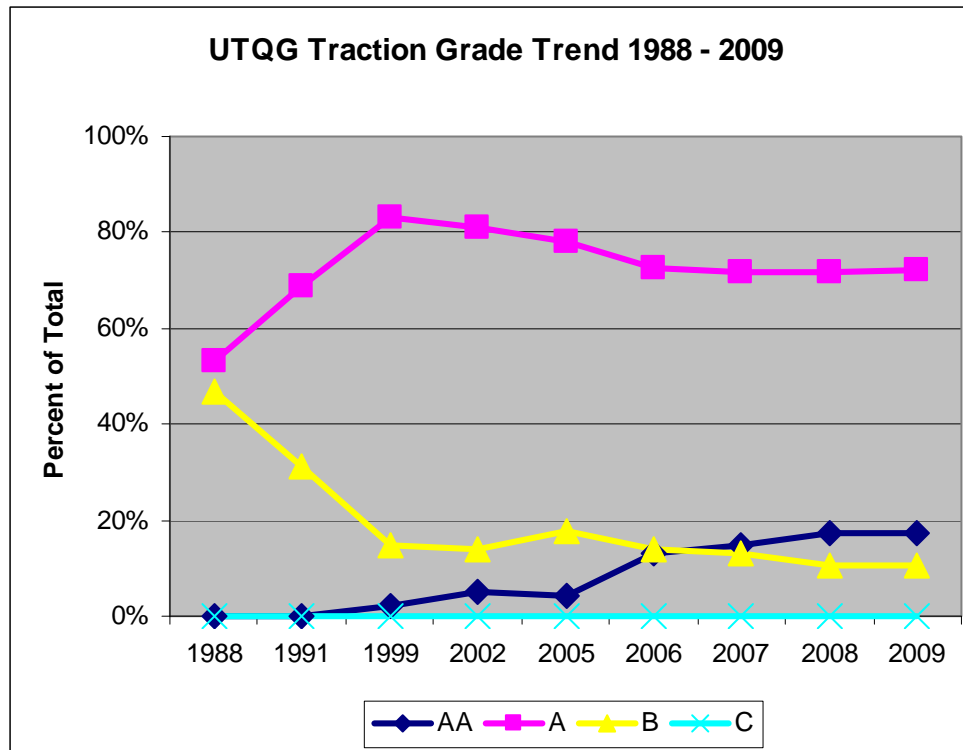


# Industry Proposal

- Proven Effectiveness

Categorical Rating Systems based on self certification have proven themselves at transforming the market and consumer behavior

- UTQG Traction Grade market transformation



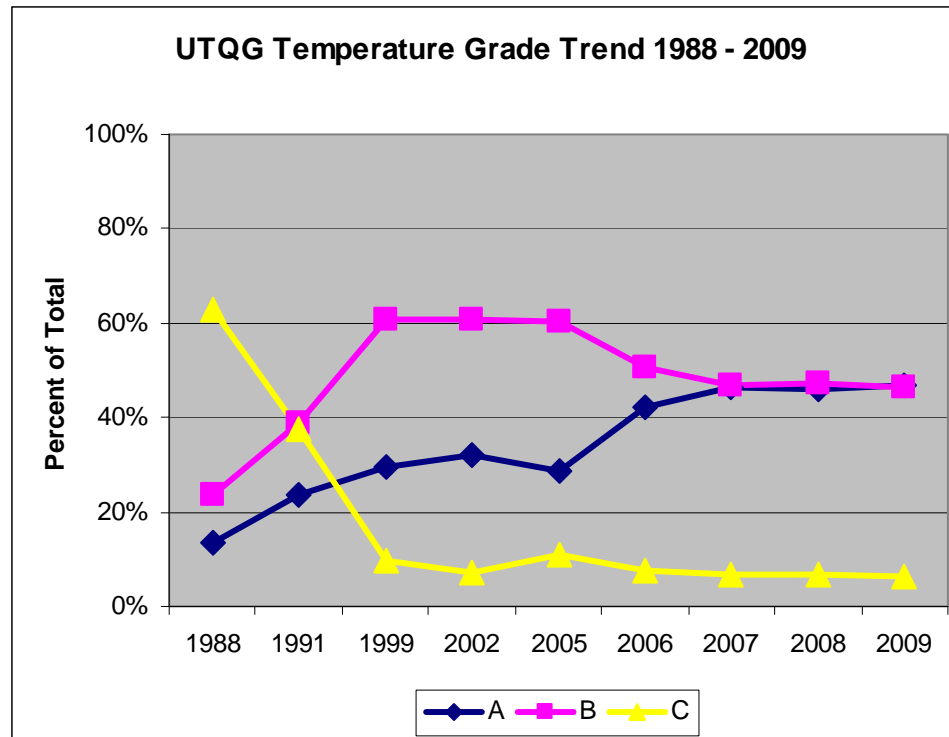


# Industry Proposal

- Proven Effectiveness

Categorical Rating Systems based on self certification have proven themselves at transforming the market and consumer behavior

- UTQG Temperature Grade market transformation





# Industry Proposal

- The shortcomings of a UTQG style system can easily be overcome
  - The UTQG rule only requires that a tire be able to perform ‘at the claimed level’
  - This allows manufacturers to understate true performance
  - If a RRc rule is written to require actual performance measures to be graded, manufacturers will not be able to adjust ratings between models



# Industry Proposal

- Allowing self certification does not increase risk of false, bad or misleading data
  - A Commission run audit system could still be implemented
  - A lower cost manufacturer challenge system could be implemented
  - Self certification has been utilized successfully for decades by the Department of Transportation for compliance with Federal Motor Vehicle Safety Standards
  - The consumer information aspect, as well as the speed of implementation of the Industry proposal, by definition creates an AB32 early action that truly begins reducing CO2 emissions by 2012



# An Even Greater Potential Savings...

- The Air Resources Board recently made a precedent setting decision to forego unique California only tailpipe GHG standards in favor of adopting new Federal standards that met the intent of the State of California
  - NHTSA is in the process of developing a Tire Rolling Resistance information system that could be adopted by the State of California
  - Given California's current budget crisis, expending scarce State funds on a duplicative regulatory program may not be viewed as prudent State policy



# Industry Proposal

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- The Industry supports providing access to actionable information about tire fuel efficiency encompassing the full range of consumer purchase options
- Good information provided in useable form as soon as possible and in the most efficient manner will support efforts to transform the market and realize the benefits of more fuel efficient tires
- Maximum benefits can be achieved quickly with minimum negative impact and cost to Government, Consumers and Industry