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LSI Rule for Rental Companies

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The LSI rule applies to fleets using Large Spark Ignition equipment; for the rental Industry this is principally gasoline and LPG forklifts over 25 hp. The purpose of the rule is to control emissions from fleets of forklifts and other large spark engine equipment.

The rule requires that fleets over three forklifts must meet an emissions average compliance schedule.

The problem:

There are two ways that rental companies manage the service function in their yards.

In many rental yards, especially those owned by larger companies, it is common practice to dedicate an LSI warehouse type forklift to assist in moving, loading and unloading tools, pumps, scaffolding etc. Generally, the forklifts used might be LPG with a 5,000 pound lift capacity and a 42 to 56 hp engine. These are used intermittently on a daily basis. The typical use might be one hour per day per yard. It would be rare that a yard might have more than one dedicated forklift, and some yards might not have any dedicated units.

The American Rental Association (ARA) understands that larger rental companies generally manage two fleets that are booked differently. These are the rental fleet and the service fleet. Typically, service equipment is not rented because it does not receive the preventative maintenance required to minimize equipment failure while equipment is on rent.

Some businesses, especially smaller ones, tend to use off rent equipment to service their yards. In this instance, they tend to randomly choose an available unit in the yard. Thus, even though they could be a small LSI fleet (3 or fewer units) with respect to yard service, they do not take advantage of that opportunity because of their current business model. The functions performed are the same.

We estimate that the total number of *non-exempt* LSI forklifts controlled by rental companies for yard service is 241 (see analysis in Appendix A), based upon the number of stores controlled by businesses with four or more stores. In comparison, we estimate that the rental LSI forklift fleet may be on the order of 10 times as large.

Rental fleets are clearly exempted from compliance with the LSI Rule through the "Operator" definition. Compliance is the responsibility of large fleet operators (more than 3 forklifts). The current definition of "Operator" seems to require that the entire fleet of forklifts owned by a rental company will come under the compliance requirements even if one forklift is not solely used for rental; that is, it is a dedicated service forklift.

We do not believe that this was the intent of the board. Thus we have worked with ARB staff to modify the rule and have made a number of proposals.

Staff Proposal:

Staff now proposes that the operator definition will be modified as follows:

- “Operator” means a person with legal right of possession and use of LSI engine equipment other than a person whose usual and customary business is the rental or leasing of LSI engine equipment. Operator includes a person whose usual and customary business is the rental or leasing of LSI engine equipment for any LSI engine equipment *used more than 50 hours per year for purposes other than not solely possessed or used for rental or leasing.*

This definition seems to change the intent in two ways:

1. The fleets owned by rental companies can be bifurcated.
2. “Operator” applies only for equipment used more than 50-hours per year for purposes other than “Rental or Leasing”.

While this change solves the potential problem associated with having the whole fleets come under the “operator” definition when a single LPG dedicated fork is used, it still presents a record keeping and compliance problem related to a very small part of the rental business.

In order to avoid the “Operator” definition, some rental yards use existing diesel powered forklifts or skid steers to perform the required tasks since there are no limitations on their use in the yard. We have been told that at least 35 diesel forklifts and skid steers are being used instead of LSI forklifts for yard work. A business also reported that if the rule stays as is, they will begin to move to diesel forklifts. This goes against the goal of the Diesel Risk Reduction Plan which has as its goal the reduction, and not the increase of diesel emissions (see Table 1 and Text in Appendix B).

We believe it is a burden on rental companies to have to separately comply with the LSI rule when so few pieces of equipment are affected. Finally, we think it is an inefficient use of enforcement’s time to check compliance for at most 241 pieces of *non-exempt* equipment held by the rental businesses especially considering that rental companies control a universe of several thousand pieces of equipment used for rental purposes.

ARA Proposal:

While it appears that the average use per yard is less than the low use limit, we don’t see a simple universal way to utilize this exception.

Fleets with Dedicated Service Units:

Rental businesses that have large fleets (more than 3) of LSI forklifts in their service fleet should be able to elect to include these units in their Off-Road Fleet Average in 2449.1 Performance Requirements. We believe the total number of ARA member businesses that might use this option is on the order of 20 controlling about 241 stores.

“Operator includes a person whose usual and customary business is the rental or leasing of LSI engine equipment for any LSI engine equipment *used more than 50 hours per year for purposes other than not solely possessed or used for rental or leasing* except if that LSI equipment is included in the Fleet Average Index in section 2449(d) of the Off-road Diesel Vehicle Rule.”

This revision would allow businesses with large service fleets to choose whether they wanted to average their service fleets under the Off-Road Rule or comply with the “operator” requirements under the LSI Rule. LSI Rental fleets would still be covered by the LSI Rule.

ARB staff has also been flexible with regard to special situations to simplify compliance while maintaining emission benefits. Currently, rental companies must report all off-road diesel equipment 25 hp and over, regardless of whether it is used for rent or service. We ask ARB staff to modify 2449(d) to explicitly allow rental companies to average their service fleet LSI forklifts into their off-road mobile fleets.

2449(d)(1)(E): Rental fleets that choose to include LSI service equipment in their off-road fleet must include such equipment in their NOX fleet target and index.

It appears that a significant fraction of the service forklifts is certified. Furthermore, some businesses appear to be turning over their fleets, which will result in a continued modernization of both rental and service fleets. Since the emission factors are similar for diesel and LSI units, the affected number of units is small, and PM is reduced in the near term, the impact of allowing averaging on emissions inventory should be minimal.

Fleets Without Dedicated Service Fleets:

There are approximately 262 smaller businesses within ARA operating 308 stores. There are three main types of rental stores. These are construction equipment, tool stores and party rental stores. The latter two, consisting of about 113 stores rent no LSI forklift equipment and do not own off-road fleets subject to regulation. A very few of these businesses might have more than three stores. Based upon these data, most of these party and tool business would have fewer than four forklifts and would thus be exempt under the small fleet definition.

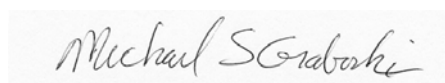
The remaining 195 stores may rent LSI equipment and most certainly use forklift equipment for yard service. We believe, but have limited supporting data, that many or most of these businesses do not differentiate between rental and service fleets where applicable, even though their yard service needs could be filled by designating service forklifts.

Several of our members who are smaller businesses that do not have dedicated fleets asked if the 50-hour relief could be administered on average. They might have to keep the necessary records to show that they met this criteria. One of our single yard businesses has ten LSI forklifts. The business should need the equivalent of one dedicated forklift to service the business. The owner wrote: *“Usually the older units are held back and the newer units are rented first but when we get short, all units are rentable. It is so much more efficient to keep everything on the same maintenance program and the fleet uniform. Differentiating between what is, or what is not rentable could be problematic. The urge to put a dedicated yard lift out on rent to meet a customer’s needs would be great. If I understand what you wrote below, I should have 50 hours grace times the 10 units I own (or 500 hrs/year) which should make my compliance a non-issue. Is my interpretation correct?”* With his business model, trying to manage a strict 50-hour annual use schedule is problematic. He indicated that his average daily use is about 0.5 hours or about 154 hours per year (307 days per year operation).

Respectfully submitted,



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