



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

# **Small Business Economic Impact Statement**

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*Chapter 173-422A WAC  
Motor Vehicle Emissions Inspection*

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# **Small Business Economic Impact Statement**

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## **Chapter 173-422A WAC Motor Vehicle Emissions Inspection**

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Air Quality Program  
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# Introduction

The Washington State Department of Ecology (Ecology) is proposing Chapter 173-422A of the Washington Administrative Code (WAC), Motor Vehicle Emission Inspection.

The objective of the Small Business Economic Impact Statement (SBEIS) is to identify and evaluate the various requirements and costs the proposed rules might impose on businesses. In particular, the SBEIS examines whether the costs on businesses from the proposed rules impose a disproportionate impact on the state's small businesses. The Revised Code of Washington (RCW) 19.85.040 describes the specific purpose and required contents of an SBEIS.

Ecology is developing and issuing this SBEIS as part of its rule adoption process and to meet Chapter 19.85 RCW.

Ecology estimated there are no positive net compliance costs created for existing small businesses under the proposed rule. As compliance by the public is required for the nominal fee by Washington State law, Ecology expects the proposed rule will not reduce business or revenues for participating businesses. As such, Ecology expects the proposed rule to increase revenue opportunities and create cost savings for small businesses, rather than impose costs.

Therefore, Ecology has not prepared a complete Small Business Economic Impact Statement, but has summarized the net benefit opportunity to businesses, as created by the proposed rule.

## Rule Proposal

Two elements were directed by the Legislature:

- All vehicles model year 2009 and newer will be exempt from emission testing
- Businesses including repair businesses would be allowed to test vehicles in addition to the contractor.

Ecology is also proposing to amend the rule to facilitate the continuation of emission testing. Therefore several test procedures and requirements that are becoming less relevant will be discontinued. The following requirements have been removed in order to reduce the cost of testing with the goal of maximizing testing convenience and facilitate repair and testing by more businesses:

- Leak tests of gasoline filler caps
- Dynamometer testing
- The exhaust analyzer requirement for repair businesses listing

Other rule provisions include:

- Requiring all authorized testers to transmit test data online to Ecology's contractor
- Requiring listed repair businesses to have an OBD scan tool with full diagnostic capabilities

- Permitting a vehicle unable to be retested be issued a waiver if all the other requirements are met
- Exempting light duty diesel powered vehicles and heavy-duty diesel powered vehicles with an engine that was certified by its manufacturer as meeting the EPA 2007 exhaust emission standards or equipped with an exhaust particle filter acceptable to Ecology. This applies mainly to transit systems.
- Relaxing the test standards for 1995 and older light-duty gasoline vehicles
- Requiring that for a vehicle to pass an OBD retest, the monitor(s) that detected a malfunction on the initial test must be ready
- Tightening Diesel snap-acceleration test standards

## **Costs to Those Required to Comply**

Ecology does not believe the net costs to those small businesses required to comply are positive. That is, Ecology believes small (or any) businesses will only enter the newly available emissions testing market (and therefore be subject to the requirements of the proposed rule) if their private benefits of the revenue stream exceed the compliance and other operating costs. Quite the opposite, Ecology believes the proposed rule provides businesses, both small and large, with an additional revenue opportunity. Those small businesses required to comply include existing small repair businesses that would choose to become testers as well. Remaining costs are expected to be borne by non-business members of the public.

Ecology also believes businesses will choose to enter the newly created industry of non-contractor emissions testers if the net benefit to them (the converse of net cost) is positive.

Because Ecology does not expect positive net costs of compliance for small businesses, it is not possible to meet the standards of the Regulatory Fairness Act (Chapter 19.85 RCW) in estimating the proportionality of the proposed rule's impact on small versus large businesses.

Even so, Ecology believes this document is informative in presenting this information. For full information on the underlying data and calculations for the information presented here, please see the associated Cost-Benefit Analysis (Ecology publication number 11-02-003).

## **Allowing Private Businesses to Test Vehicles**

Ecology is proposing that all testers must use Ecology approved online testing equipment.

Self-testing private fleets are currently purchasing test forms from Ecology for \$15.00 each. The test form will no longer be necessary or available from Ecology. Ecology intends for the test charges for these fleets will not exceed the current \$15.00.

However, private businesses who choose to become testers will now incur new costs. Private businesses are allowed, by law, to charge whatever test fee they want, unlike the state contractor who must charge no more than \$15.00 per test. For this analysis, it does not matter what price a private business charges because it will simply be a cost transfer from vehicle owner to vehicle tester.

Ecology based its assumptions on the number of vehicles that may be tested at a private inspection businesses on the current hybrid program in New Jersey. New Jersey’s hybrid program is closest to the program Washington is creating. A hybrid program combines centralized and decentralized testing systems. A centralized system has the state or a state contractor do the tests. A decentralized system has testing done by many independently owned private businesses that may do other business at the testing locations. In New Jersey there is no test fee collected at the centralized test stations. The long wait times at these stations prompted the state to subsidized private business testing. In 2007, there were 1,327 private inspection facilities in New Jersey with about 20 percent of vehicle inspections being done at these facilities.

It is impossible to know the extent other businesses will be interested in becoming testers. Ecology assumed since there will be no subsidy in Washington and the declining number of vehicles needing testing in the future , there will be less interest in private inspection facilities than in New Jersey. Therefore, Ecology assumed only 10 percent of the tests will be at a private testing facility. Table 1 below shows the declining number of vehicles expected to be tested by private businesses each year with the associated costs.

**Table 1: Number of Vehicles Expected to be tested by Private Businesses 2012-2019**

Testing Year	Percentage of Remaining Vehicles	Number of Vehicles	Cost Per Year <sup>1</sup>	Present Value
2012	100%	50,000	\$750,000	\$750,077
2013	100%	100,000	\$1,500,000	\$1,476,239
2014	88%	88,000	\$1,319,000	\$1,277,079
2015	88%	88,000	\$1,319,000	\$1,256,720
2016	70%	70,000	\$1,052,000	\$986,142
2017	70%	70,000	\$1,052,000	\$970,421
2018	54%	54,000	\$815,000	\$740,407
2019	54%	54,000	\$815,000	\$728,603
<b>Total Present Value</b>				<b>\$8,185,690</b>

Using the average real rate on treasury bills of 1.62 percent, Ecology estimates the proposed will create a total present value of about \$8.6 million for new authorized testers over the 7.5 years.

## **Requiring Listed Repair Businesses to Have a Diagnostic OBD Scan Tool**

Ecology is proposing a change that will require listed repair businesses to have an OBD scan tool with full diagnostic capabilities. The current rule only requires a scan tool; however, the proposed change specifies that the scan tool must have diagnostic capabilities (mode 1 through 9). Ecology believes most businesses already have this type of scan tool. To verify this, Ecology conducted a phone survey and contacted 53 of its listed businesses to ask if their scan

<sup>1</sup> Cost per year = (Number of vehicles) x (\$15.00 collected by the Contractor)



tools already had diagnostic abilities<sup>2</sup>. All 53 businesses answered yes. Of the 53 businesses surveyed, 45 are small businesses with an average of eight employees and eight are large businesses with an average of 97 employees.<sup>3</sup> Therefore, Ecology believes this change will not create any extra costs for the listed repair businesses or the businesses that wish to be listed.

## Tightening Diesel Test Standards

Ecology is proposing to tighten the diesel snap-acceleration test standards for newer and older vehicles. Table 2 shows the change in standards for high-duty diesels vehicles.

**Table 2: Proposed Standard Changes for Vehicles over 8,500 pounds GVWR**

Model Year	Current Opacity Standard	Proposed Opacity Standard
1991 and older	55%	50%
1992-1996	40%	40%
1997 and newer	40%	30%

Ecology was able to run a cutpoint analysis by model year for 2008 and 2009 tests. We were able to calculate how many more vehicles would fail the proposed standards over these 2 years. Using the age of vehicles from this data, Ecology extrapolated how many vehicles per year will be tested under the remaining 7.5 years of the program. Ecology used the failure rate from the cutpoint analysis to estimate how many more vehicles we expect to fail the diesel Snap test in future years. Tables 3 show the number of vehicles for 1991 and older models and 1997 and newer models Ecology expects to fail. It also shows the cost for the vehicles minimum repair. In addition to paying the minimum repair costs of \$150, time costs are associated for repair and retesting time. Ecology estimates 2 hours of time for repair and retesting. We use a wage rate of \$31.50 per hour<sup>4</sup> which is the average rate for workers in the 5 counties.

**Table 3: Proposed changes on diesel-snap acceleration standards for 1991 and older vehicles**

Year	Number of Vehicles Tested	Number Failing at 55% Opacity	Number Failing at 50% Opacity	Change	Costs		Present Value
					Repair Costs	Time Costs	
2012	795	54	90	36	\$5,400	\$2,300	\$7,700
2013	1,589	108	180	72	\$10,800	\$4,500	\$15,056
2014	866	59	98	39	\$5,850	\$2,500	\$8,086
2015	866	59	98	39	\$5,850	\$2,500	\$7,957

<sup>2</sup> Businesses were contacted on October 7 and 14, 2009.

<sup>3</sup> This is the best information currently available to Ecology. As always, we welcome new information that will further improve our analyses.

<sup>4</sup> 2009 Occupational Employment and Wage Estimates- Washington State, Metropolitan, and Balance of State Areas. Washington State Employment Security Department  
[http://www.workforceexplorer.com/admin/uploadedPublications/9766\\_Web\\_Databook2009.pdf](http://www.workforceexplorer.com/admin/uploadedPublications/9766_Web_Databook2009.pdf)

2016	0	0	0	0	\$0	\$0	\$0
2017	0	0	0	0	\$0	\$0	\$0
2018	0	0	0	0	\$0	\$0	\$0
2019	0	0	0	0	\$0	\$0	\$0
<b>Total Present Value</b>							<b>\$38,799</b>

## Cost summary

The following Table 4 summarizes the expected costs associated with the proposed rule changes.

**Table 4: Cost of proposed changes to 172-422A WAC**

Proposed Change	Cost
New Authorized Testers	\$8,185,690
Requiring an OBD Scan Tool	\$0
Diesel Snap-Accelerations Test	\$1,344,739
<b>Total</b>	<b>\$9,530,429</b>

## Reduced or Avoided Costs

### Stop dynamometer testing and standardize test standards for older gasoline vehicles

Ecology is proposing to eliminate dynamometer testing of Light Duty Gasoline Vehicles (LDGV) and standardize the test standards for all 1995 and older gasoline vehicles. Currently LDGVs that are not given an OBD test are being tested, if possible, using the acceleration simulation mode (ASM) 2525 test on a dynamometer. Vehicles that cannot be driven on the dynamometer are given a TSI test. While the ASM test is more effective at identifying vehicles that would benefit the most from emission repairs, the declining number of vehicles that would be given the ASM test does not appear to justify a continuing investment in dynamometers.

Based on data from the 2007 and 2008 data reports to EPA there are about 120,000 gasoline vehicles being tested annually that are ages 17-25. In 2012, vehicles made in 1995 will be 17 years old. Table 5 shows the number of LDGV each year that Ecology estimates will benefit from the standardized testing in the remaining 7.5 years of the program. The estimate for 2012 is for the last 6 months of the year the new rule will be in effect.

**Table 5: Estimated number of 1995 and older LDGVs tested each year**

Year	2012	2013	2014	2015	2016	2017	2018	2019
<b>Vehicles</b>	60,288	110,128	66,501	59,640	32,755	28,098	11,063	8,386

Currently, about of 94 percent of 1995 and older LDGVs are being tested using the ASM 2525 test with 11 percent failing. The other 6 percent are being tested using the TSI test with 6.3 percent failing. Ecology is proposing to standardize the TSI standards for all 1995 and older LDGVs to equal the current Heavy Duty Gasoline Vehicles (HDGV) standards. Currently these HDGV ages 17-25 are failing the TSI test at 10.6 percent. It is likely that HDGVs will continue

to fail the TSI test at least at this higher rate. However the LDGVs are likely to fail the TSI test at a lower rate compared to the HDGVs. Based on the current difference in the LDGV fail rates for the ASM 2525 tests and the TSI tests, about 4.5 percent less LDGVs are expected to fail their test. The owners of these vehicles will be able to avoid the minimum \$150 in repair expenses along with the time cost for repairs and retesting. Ecology used a wage rate of \$31.50 an hour and an estimated time savings of 2 hours. Table 6 shows the number of vehicles that would now pass and the cost savings for their owners.

**Table 6: Vehicles and cost savings of proposed changes to LDGV**

<b>Year</b>	<b>Vehicles Now Passing</b>	<b>Cost Savings Per Year (# of Vehicles x \$150)</b>	<b>Time Savings</b>	<b>Present Value Cost Savings Per year</b>
2012	2,737	\$410,550	\$172,400	\$582,950
2013	5,000	\$750,000	\$315,000	\$1,048,022
2014	3,019	\$452,850	\$190,200	\$622,711
2015	2,708	\$406,200	\$170,600	\$549,652
2016	1,487	\$223,050	\$93,700	\$297,030
2017	1,276	\$191,400	\$80,400	\$250,815
2018	502	\$75,300	\$31,600	\$97,074
2019	381	\$57,150	\$24,000	\$72,516
<b>Total</b>	<b>17,109</b>	<b>\$2,566,350</b>	<b>\$1,077,900</b>	<b>\$3,520,750</b>

The cost savings for no longer requiring dynamometer testing and standardizing the standards on 1995 and older gasoline vehicles has a total present value of \$3.5 million.

## **Discontinue gas cap checks**

Ecology is proposing to stop gas cap leak tests. After 2012 most LDGVs will receive an OBD test which may detect a leaking gas cap. In 2006 - 2008, on average 6,000 vehicles per year failed the gas cap test but passed the OBD test and were still required to purchase a new gas cap. Before the 2000 model year vehicles, the OBD test was often not as effective in detecting leaking gas caps as testing the caps was. After July 2012, eliminating the gas cap test is expected to result in a minimum increase in evaporative emissions. A gas cap can cost \$5.00 - \$21.00<sup>5</sup> with an average of \$13.00. Therefore, Ecology assumes the first two years will each have an average of a \$13.00 savings for at least these 6,000 vehicles. Ecology also assumes a cost savings of 2 hours for repairs and retesting at an average wage rate of \$31.50 per hour. Table 7 shows the decline in vehicles and using a 1.62 percent rate the total present value savings of \$2.5 million.

<sup>5</sup> Autozone.com

**Table 7: Savings for no longer requiring gas cap check**

Testing Year	Percentage of Remaining Vehicles	Number of Vehicles	Savings on Cap	Time Savings	Present Value
2012	100%	3,000	\$39,000	\$189,000	\$228,000
2013	100%	6,000	\$78,000	\$378,000	\$448,731
2014	83%	5,340	\$69,420	\$336,420	\$393,004
2015	83%	5,340	\$69,420	\$336,420	\$386,738
2016	65%	4,260	\$55,380	\$268,380	\$303,603
2017	65%	4,260	\$55,380	\$268,380	\$298,763
2018	49%	3,300	\$42,900	\$207,900	\$227,747
2019	49%	3,300	\$42,900	\$207,900	\$224,116
<b>Total Present Value</b>					<b>\$2,510,702</b>

## Allowing private businesses to test vehicles

Allowing private businesses, to test vehicles is a convenience and assumed time-savings for vehicle owners. Ecology assumes vehicle owners who decide to get their vehicle tested by a private business, instead of a state contractor, will do so because it will be closer to their home or work or because they can get an emissions test while their vehicle is being serviced for something else. Ecology assumes it currently takes about one hour to drive to the testing station, get tested and drive home. We also assume vehicle owners who choose to use a private business will cut this time in half to 30 minutes and therefore save 30 minutes of time.

Using the average of the overall wages in the five counties where emission testing is required, Ecology estimates a time-savings of \$31.50 per hour. Table 8 shows the number of vehicles each year Ecology expects to be tested using a private business and the value of the time saved.

**Table 8: Savings for using a private business for emissions inspections**

Testing Year	Percentage of Remaining Vehicles	Number of Vehicles	Savings Per Year (millions) <sup>6</sup>	Present Value (millions)
2012	100%	50,000	\$788,000	\$787,581
2013	100%	100,000	\$1,575,000	\$1,550,051
2014	88%	88,000	\$1,386,000	\$1,342,300
2015	88%	88,000	\$1,386,000	\$1,320,901
2016	70%	70,000	\$1,103,000	\$1,033,967
2017	70%	70,000	\$1,103,000	\$1,017,484
2018	54%	54,000	\$850,000	\$772,403
2019	54%	54,000	\$850,000	\$760,089
<b>Total Present Value</b>				<b>\$8,584,776</b>

Using the 1.62 percent real rate on treasury bills, Ecology estimates the proposed rule creates a total present value cost savings of \$8.6 million for vehicle owners over 7.5 years.

## Discontinue testing of light-duty diesel vehicles

Ecology is proposing to stop testing light-duty diesel vehicles. There are so few of these vehicles and the preferred dynamometer test for these vehicles will no longer be available. Also, EPA doesn't recognize the benefit of testing these vehicles. There are about 6,000 light duty diesel vehicles in the testing areas; Ecology assumes about 3,000 would have been tested annually.<sup>7</sup> Table 9 shows the decrease in the number of vehicles over time as 2009 and newer models are exempted. The 1.62 percent treasury bills rate is used. Each vehicle will have a savings of the \$15 charged for the test and an hour of cost savings for not having to get the test. The wage rate used is \$31.50 per hour.

**Table 9: Savings for exempting light-duty diesel vehicles**

Testing Year	Percentage of Remaining Vehicles	Number of Vehicles	Cost Savings		Present Value
			Savings for Test	Time Savings	
2012	100%	1,500	\$22,500	\$47,300	\$69,800
2013	100%	3,000	\$45,000	\$94,500	\$137,276

<sup>6</sup> Cost per year = (Number of vehicles) x (\$31.50/hour) x (.5 hours)

<sup>7</sup> In 2012 only vehicles tested after July when the new rule goes into effect will be exempt; therefore Ecology estimates half the total number of vehicles for 2012.

2014	89%	2,670	\$40,050	\$84,100	\$120,223
2015	89%	2,670	\$40,050	\$84,100	\$118,307
2016	71%	2,130	\$31,950	\$67,100	\$92,883
2017	71%	2,130	\$31,950	\$67,100	\$91,403
2018	55%	1,650	\$24,750	\$52,000	\$69,695
2019	55%	1,650	\$24,750	\$52,000	\$68,584
<b>Total Present Value</b>					<b>\$768,171</b>

Ecology estimates this proposed change will create a savings of \$768,000.

## Exempt 2007-2008 model year high-duty diesel vehicles

Ecology is proposing to exempt high-duty diesel vehicles with an engine that was certified by its manufacturer as meeting the EPA 2007 exhaust emission standards. This exemption will only benefit 2007 and 2008 diesel vehicles because the 2009 and newer models will already be exempt by law. Based on a snapshot of the current number of diesel vehicles in the 5 counties<sup>8</sup>, Ecology was able to extrapolate how many diesel vehicles there will be in each year from 2012-2019. Table 10 shows the number of 2007 and 2008 vehicles each year that will be exempt. Table 10 also shows the cost savings based on avoiding the \$15 charge for a test and the time saved by not having to get the vehicles tested. Ecology assumes it will save 1 hour of time at a labor cost of \$31.50 an hour.

**Table 10: Savings for exempted 2007-2008 diesel vehicles**

Testing Year	Number of Vehicles	Cost Savings		Present Value
		Savings for Test	Time Savings	
2012	4,100	\$61,500	\$128,900	\$190,400
2013	8,200	\$123,000	\$257,800	\$374,729
2014	5,800	\$87,000	\$184,200	\$262,622
2015	5,800	\$87,000	\$184,200	\$258,435
2016	6,400	\$96,000	\$200,500	\$278,040
2017	6,400	\$96,000	\$200,500	\$273,608
2018	6,100	\$91,500	\$192,900	\$258,258
2019	6,100	\$91,500	\$192,900	\$254,141
<b>Total Present Value</b>				<b>\$2,150,235</b>

Ecology estimates this proposed change will save \$2.2 million.

<sup>8</sup> Washington State Department of Licensing January 5, 2010

## Removing the requirement for listed repair businesses to have an exhaust analyzer.

Ecology is proposing to remove the requirement for listed repair businesses to have an exhaust analyzer. Ecology believes that because of the declining number of vehicles failing an exhaust emission test, repair businesses should no longer be required to have an exhaust analyzer.

Ecology surveyed repair businesses to estimate the cost savings for not requiring an exhaust analyzer. Ecology contacted 50 small businesses and 10 large businesses. We got an overall response rate of 77 percent with responses from 41 small businesses and five large businesses. Three of the small businesses reported they couldn't answer any of the questions and those responses were thrown out, leaving 38 small businesses with data. The small businesses averaged 8 employees and the large businesses average 135.

An exhaust analyzer can cost thousands of dollars and most repair businesses invested in these analyzers many years ago. On average, small business reported that their previous exhaust analyzer or their expectation of how long their current analyzer will last is 12 years; large businesses estimated 14 years. A few businesses even said they expected to use their analyzer forever since they are currently using it so infrequently and would not want to buy a new one. Therefore, Ecology estimated the cost savings for avoiding maintenance and calibration gas costs. Small businesses report a combined average of \$320 per year and large businesses estimated \$375 per year. There are currently about 620 small repair businesses and 60 large businesses. Table 11 shows the cost savings for eliminating the requirement to have an exhaust analyzer.

**Table 11: Savings for no longer requiring listed repair businesses to have exhaust analyzers**

	Small	Large
Number of Businesses	620	60
Annual Cost of Maintenance and Calibration Gas	\$320	\$375
Total Annual Cost Savings	\$198,400	\$22,500
Total Present Value (PV) Cost Savings	\$1,402,208	\$159,021
<b>Total Small and Large PV Cost Savings</b>	<b>\$1,561,229</b>	

Ecology estimates the cost savings for eliminating the requirement for listed repair businesses to have an exhaust analyzer has a present value savings of \$1.6 million over the 7.5 remaining years of the program. Please note this savings does not include the cost of actually buying an analyzer, only its yearly maintenance costs. Not only is this proposal a benefit for currently listed repair businesses, but eliminating this requirement makes it easier for a new repair business to become listed by Ecology. This should provide more options for the owners of vehicles that fail an emission test and need repairs.

## Total Cost Savings

As the authorizing statute allows businesses in the newly created industry to pass charges on to consumers, and the consumer action of testing is required under the law and rule, Ecology believes the proposed rule will not reduce business or revenues for participating businesses. As

such, Ecology expects the proposed rule to increase revenue opportunities and create cost savings for small businesses, rather than impose costs.

Therefore, Ecology has not prepared a complete Small Business Economic Impact Statement, but has summarized the net benefit opportunity to businesses, as created by the proposed rule.

**Table 12: Total cost savings**

<b>Proposed Change</b>	<b>Cost Savings</b>
Eliminating Dynamometers and standardizing 1995 and older test standards	\$3,520,750
No Gas Cap Check	\$2,510,702
Convenience of Using a Private Testing Business	\$8,584,776
Exempting Light Duty Diesel Vehicles	\$768,171
Exempting 2007-2008 High Duty Diesel Vehicles	\$2,150,235
Eliminating Exhaust analyzers	\$1,561,229
<b>Total Cost Savings</b>	<b>\$19,095,863</b>