



February 19, 2019

Hon. Curtis McCormack, Chair
House Committee on Transportation
Vermont State Capitol
115 State Street
Montpelier, VT 05633

RE: An Act Relating to the Transportation Bill

Dear Chairman McCormack:

On behalf of the Alliance of Automobile Manufacturers (Alliance), thank you for the opportunity to provide feedback on the proposed legislation seeking to make a range of changes to the transportation system in Vermont. In particular, we have great interest in Sections 20-24, which seek to encourage the adoption of electric vehicle usage by consumers across your state. The Alliance is a trade association representing 12 of the world's leading car and light truck manufacturers, and is comprised of BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America, and Volvo Car USA. Together, Alliance members account for roughly 70% of the cars and light duty trucks sold in the United States each year.

As you are certainly aware, Vermont is one of a nine of states that have adopted the California Low Emission Vehicle program, and its Zero Emission Vehicle (ZEV) mandate. This ZEV mandate holds vehicle manufacturers responsible for selling a specific volume of ZEV in the adopting states. For this mandate, we are judged not on what vehicles we put in showrooms, but on what vehicles consumers put in their driveways. This program has set forth a very aggressive timeline for the adoption of ZEV by consumers and vehicle manufacturers are working to meet these benchmarks by providing consumers with ever more advanced and environmentally friendly vehicle options. While Vermont expressed a desire to follow California's rules, up until now it has not followed California's lead. California has had rebate incentives for many years. It offers non-financial incentives to consumers as well, by granting access to special parking and HOV lanes. It has brought utility companies into the discussion by offering favorable charging rates and expanded charging infrastructure. California has also led by example, by making sure ZEVs were included in the state's fleet to the maximum extent feasibly possible.

We commend the leadership shown on this legislation, for it begins to targets many of the underlying issues that have held back growth of this emerging technology. Automakers have invested billions of dollars to create for consumers viable vehicle options that utilize electricity for propulsion. Despite the effort made to establish this marketplace, consumer acceptance has been woefully slow.

Section 20 of the proposed bill seeks to establish an financial incentive at the time of sale to encourage consumer purchasing habits. To be clear, incentives matter. For years, Georgia had one of the most robust state-level incentives (\$5,000) to support the purchase of an electric vehicle. As such, for years, Georgia only trailed California in the percentage of electric vehicles sold. That incentive was repealed in 2015 and immediately Georgia fell to middle of the pack. While we strongly support incentives, we do have a few concerns with the incentives as currently conceived:

- **Vehicle Price Cap** – This bill intends to establish a rebate incentive program, but only allows vehicles with sales prices under \$35,000 to qualify, arbitrarily splitting the vehicle marketplace in two. Vehicles just below that price point will see a boost, while competitors just above will be penalized. These vehicles are direct competitors, but state policy will pick winners and losers. It is also important to note that – while it is easy to think of a rebate incentive as only impacting the bottom-line and lessening the entry point for a consumer to purchase – rebates have a much broader impact. Rebates make consumers consider making a purchase *now* while the rebate is in effect, as opposed to sometime in the future when it may not be available. Just like a coupon for another consumer product, it is not that one could not afford the product without the coupon that spurs a purchase, but that there is a proximate incentive to do so now, while the coupon is available. These added benefits impact consumer behavior regardless of price point of the vehicle.

Additionally, by following the California ZEV mandate, Vermont is requiring automakers to sell a certain number of such vehicles in the state. No allowance is given to premium manufacturers for the challenge of selling a higher priced model. As long as the state is requiring all manufacturers to follow the ZEV mandate equally, the state should apply the rebate equally. It is not the state’s job to pick winners and losers in the marketplace through the adoption of policy. We strongly recommend the removal of the price cap on vehicle rebate incentives.

- **Income Cap** – This bill intends to establish a rebate incentive program, but only allows certain purchasers to qualify. The challenge with this concept is the obligation to verify income and the value of providing the incentive at time of sale, which everyone would agree is most impactful. California has attempted to utilize some means test in incentives and it has proven extremely challenging to administer. We have been told it takes several weeks, and includes an administrator confirming tax returns with the Internal Revenue Service. That is leaving out the challenges to evaluate income for the non-W-2 community, such as sole-proprietors, self-employed, and small business owners. Having an income verification and a point-of-sale credit are difficult to accomplish simultaneously.

- **Used Vehicle Incentive** – This bill intends to establish a rebate incentive that would apply to both new and used vehicles. While we understand the general thought behind the concept, we disagree with this idea on both principle and practice. The purpose of an incentive is to push more ZEV into Vermont, instead of just facilitating the exchange of vehicles already in the state. The tax incentive on new electric vehicles does help the purchaser of used electric vehicles, for it exerts downward pressure on the price of a used electric vehicle. This is why California, which has been a leader in advocating for the adoption does not include used vehicles in its rebate program.

Beyond the incentives detailed in Section 20, we are generally supportive of the other concepts in the proposed bill, and encourage the state to go even further when it considers ways to advance the adoption of electric vehicles in the state – ideas such as privileged parking spaces for EVs, changing building codes to ease the burden to install new chargers, encouraging municipal and local government use, and other innovative ideas. One idea in particular that we would like the Committee to give consideration is to increase the number of ZEV within the state owned fleet of vehicles.

In 2013, Vermont – along with the states of California, Connecticut, Maryland, Massachusetts, New York, Oregon, and Rhode Island – signed a memorandum of understanding with the U.S. Department of Energy to work together on a commitment to put 3.3 million ZEV on the road by 2025. Included within this MOU is a specific provision that speaks to the need for states to “lead by example” and increase the number of ZEV vehicles within their state owned fleet (Section 4). It is on this point that we believe the proposed legislation can do more to advance the acceptance of ZEV.

Based on the best data we can find, only 0.68% of vehicles purchased by the State of Vermont in 2017 were ZEV – less than one percent. There are now plenty of suitable battery electric and plug-in hybrid vehicles available for daily use by the state today, and fuel cell vehicles will be a growing option in the years ahead. In addition to the baseline environmental gain that such a shift could produce from each internal combustion engine vehicle replaced, we believe that the widespread use of such vehicles could serve as practical validation of the technology's usefulness, as well as having each vehicle serve as a rolling billboard for the technology.

We would respectfully ask that the Committee consider the language below, which would set yearly benchmarks for the state to reach on the adoption of ZEV in the state fleet, ensuring stated goals are met.

* * * Increasing the Percentage of Electric Vehicles within the State Fleet * * *

For the purposes of this section XXX, a "zero emission vehicle", shall mean a battery electric vehicle, a plug-in hybrid electric vehicle, or a fuel cell vehicle. -For fiscal year 2019, the division of operational services will ensure that not less than 15 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2020, the division of operational services will ensure that not less than 20 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2021, the division of operational services will ensure that not less than 25 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2022, the division of operational services will ensure that not less than 30 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2023, the division of operational services will ensure that not less than 35 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2024, the division of operational services will ensure that not less than 40 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2025, the division of operational services will ensure that not less than 45 percent of all vehicle purchases are zero emission vehicles. For fiscal year 2026, the division of operational services will ensure that not less than 50 percent of all vehicle purchases are zero emission vehicles.

From the state's previous actions it is apparent that Vermont has expressed its support for ZEV, now is the time to express its commitment. Automakers have invested billions in research and development dollars to create modern transportation technologies. Automakers are on track to virtually eliminate smog-forming emissions resulting from passenger vehicles in the next decade – even with more cars on our roads and drivers travelling more miles. Looking ahead, by 2030 passenger cars will contribute only about 1% of ozone emissions from all sources of smog. Clean cars are here to stay, and the sooner we can get these new technologies on the roadway the faster we will progress. Increasing the number of ZEV in state vehicle fleets is a part of the solution.

Thank you for your consideration of the Alliance's positions. Please do not hesitate to contact me at wweikel@autoalliance.org or 202-326-5550, should I be able to provide any additional information.

Sincerely,

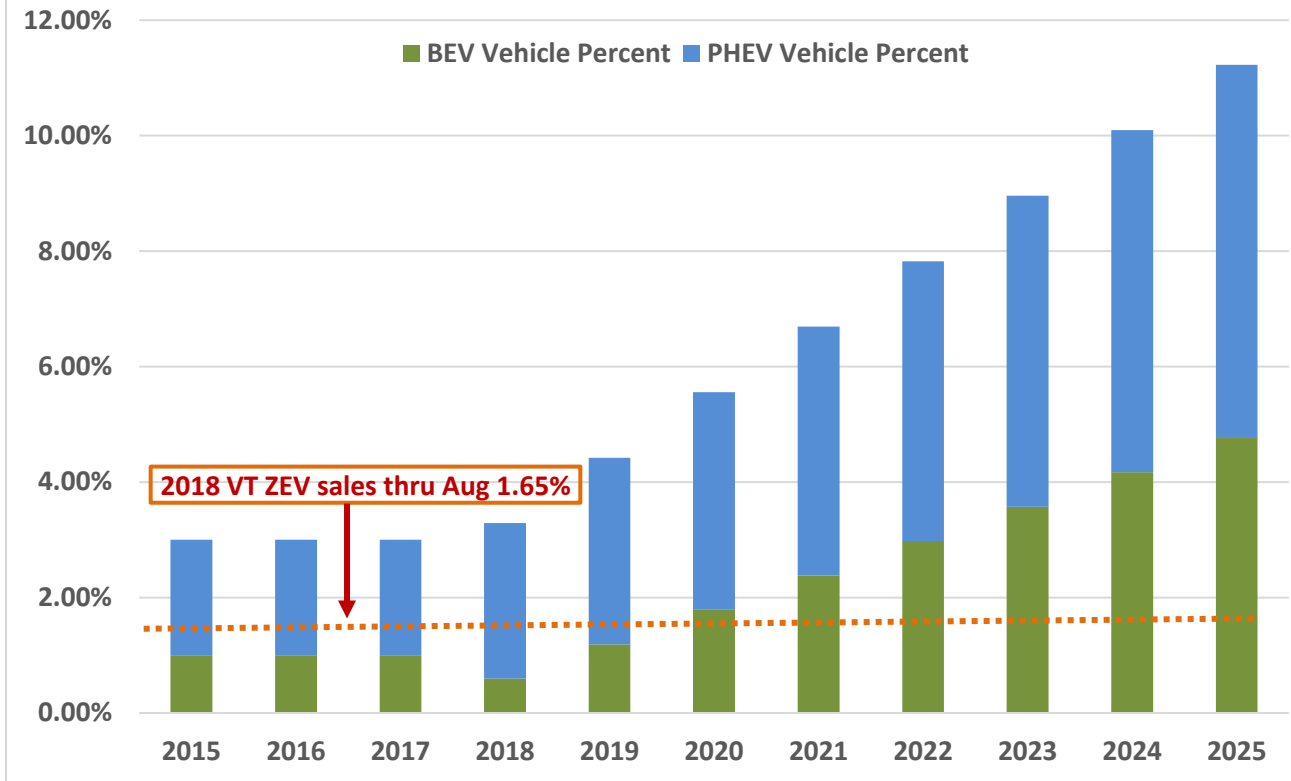


Wayne Weikel
Senior Director, State Affairs

cc: Members, House Committee on Transportation

BEV and PHEV Requirements

Assuming PHEVs with 30 mile range and BEVs with 200 mile range



The above bar graph indicates a projection of vehicle purchases needed to satisfy the ZEV mandate. As each vehicle receives a different number of credits based on the vehicle's capabilities, it is difficult to detail the exact number of vehicles which would need to be sold to comply with the ZEV mandate.

The blue and green portions of the bar graph represent a projected vehicle mix between fully battery electric vehicles (BEV) and plug in hybrid electric vehicles (PHEV).