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Representative Jeffrey Roy, House Chairman
Joint Committee on Telecommunications, Utilities and Energy
State House, Room 43
Boston, MA 02133

RE: Climate/Energy Legislation Conference Committee - ZEVs

Dear Chairman Roy:

Thank for your time last week to discuss the perspective of the Massachusetts State Automobile Dealers Association on the provisions in the Senate climate bill (Senate 2842) regarding zero emission vehicles (ZEVs). Please accept these comments as a supplement to our discussions at that meeting.

We are supportive of the components of the Senate bill regarding the retail sale of ZEVs. Our comments below outline the pieces that we feel need to be addressed to ensure consumers are comfortable with making a ZEV purchase to meet the Senate’s mandate, beginning in 2035, requiring the sale of new-cars and trucks that produce no emissions and thereby prohibiting the sale of any new vehicles propelled by internal combustion engines. Our franchised dealers daily meet the vehicle needs of our customers, and we are excited about the next technological stage of our industry – the development and retail availability of ZEVs. We have reservations, however, that these state-mandated goals can be met unless and until consumer anxiety is addressed regarding battery charge life and travel range, charging availability, and vehicle price affordability.

Continued sales rebates for plug-in hybrid electric vehicles (PHEVs): The Senate bill seeks to incorporate into state law some elements of the Commonwealth’s current MOR-EV program. By doing so, however, the Senate bill would eliminate the existing rebate available to retail purchasers for plug-in hybrid vehicles; we think this is the wrong approach. (Amendment #76 offered to address this omission was rejected by the Senate during its legislative deliberations.) From our experiences as vehicle retailers, the sales of plug-in hybrid EVs have been a key component of the MOR-EV program since its inception in 2014. Over that time, almost 40% of the vehicles that received sales rebates under the program have been PHEVs. PHEVs serve as a major factor in providing the consumer with the ability to have confidence in owning an electric vehicle, potentially encouraging that owner to move fully into a ZEV at a later date. We feel the continuation of PHEVs in the rebate program will further enhance the confidence of the future buyer to move out of a fully internal combustion engine vehicle and into one that has clean alternative fuel propulsion. These vehicles are generally more affordable for consumers than a ZEV. Based on an analysis of driving habits for those living and working inside Route 128 and the I-495 corridor, these vehicles essentially operate as a ZEV because the driver typically does not need to use gas to power the vehicle. As PHEV technology continues to evolve, the emissions reductions gained by driving a PHEV compared to an ICE vehicle will increase dramatically. Now is the wrong time to abandon support for hybrid vehicles, which remain more expensive than their ICE counterparts.

Initiatives to grow residential charging: An affordable and accessible charging infrastructure across the Commonwealth and our nation is a major challenge for EV acceptance. Currently, there is a gas station seemingly on every corner. One cannot say the same for a charging network. Considerable private and public investment will be needed to fund all aspects of a charging network. This will require the joint synthesis of several factors: utilities’ accommodations; permitting and zoning amendments by local governments; statewide building code requirements to support apartment dwellers as well as

business and commercial tenants; and a clear regulatory process for private entrepreneurs desiring to own and operate charging kiosks or stations. To address one piece of the mosaic, we proposed as an amendment to the Senate bill a tax credit towards the purchase and installation of a home charging station. One step up the consumer acceptance ladder would be a tax credit to enable the residential ZEV owner to have peace of mind knowing that he or she will at least have adequate daily charging capabilities at one's own home. (The Senate, however, rejected amendment #100 to adopt this tax credit during its deliberations.)

Gas tax revenue loss/road and bridge repair/maintenance funding: A stronger consumer commitment to ZEVs will mean less gas tax revenue. Simply raising the gas tax rate will not fix a growing gap. State and federal authorities need to explore equitable measures that reflect a reality of many different types of vehicles and parties using our roads. For example, ZEV owners could be charged, as in other states, a state registration fee that is in lieu of gas tax charges assessed at the pump. In the alternative, legislators could explore other potential funding mechanisms (e.g., a miles-travelled charge on all vehicles) in lieu of the gas tax to help maintain Transportation Fund revenues. Motor vehicles cause road wear and use bridges, regardless of the propulsion method. A sustainability study will be able to enumerate each user's skin in the game for infrastructure maintenance and improvements. (The Senate rejected amendment #26 on this subject matter during its deliberations.)

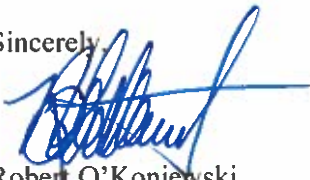
Point-of-sale rebates ("cash on the hood" rebates, so-called), as contained in Senate Section 34: The current MOR-EV program depends on the individual vehicle purchaser to apply for the rebate from the state post-sale. To date, we have not seen any issue with this process. Certain ZEV advocates, however, argue that a "cash on the hood" rebate may be a more workable process to enhance the purchase process. Many of our member dealers would be willing to try this process out, as implemented in New Jersey and Connecticut. One prominent concern: As dealers front the cash for the rebate, we worry the state will not forward the reimbursement to the participating dealer in a timely manner, ala the "Cash for Clunkers" debacle, leading to cash flow issues at our dealerships. If the state wants to pursue this mechanism, there must be protections built in for family-owned small business dealerships to recoup their "fronting" of the rebate.

Our franchised dealers are committed to serving the ultimate arbiters of vehicle choice – our customers. It is our customers who will determine to what extent this transition to ZEVs will succeed. Our dealers, day in and day out, meet consumer needs efficiently through our franchise system that ensures acute inter- and intra-brand competition between dealers; convenient and affordable vehicle service and maintenance; and compliance with numerous federal and state consumer protection statutes such as the lemon laws.

Thus far, ZEV sales have muddled along because the necessary pieces of this puzzle as discussed herein have yet to be developed, nurtured, grown, and integrated. Only then will we have a robust ZEV marketplace. Our dealers are engaged and enthused about the future for new vehicle offerings and markets, and they remain committed to being part of the solution moving forward. There is nothing extraordinary about a desire to move away from internal combustion engines to propulsion based on electricity, hydrogen, or other type of fuel cells which would generate no fossil fuel-based emissions. We agree that there is no time like the present to start preparing for the inevitable in a market-driven manner.

Thank you for your attention to these issues. Should you require any additional information, please do not hesitate to contact us.

Sincerely,



Robert O'Koniewski