



Sustainability, Environment & Safety Engineering
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**Ford Motor Company Comments on
Notice of Public Hearing to Consider
Approval of the Proposed Assembly Bill 118
Air Quality Improvement Program Funding Plan
For Fiscal Year 2012-13**

Ford Motor Company (Ford) welcomes the opportunity to comment on California's Proposed Fiscal Year (FY) 2012-13 Funding Plan for Assembly Bill (AB) 118 Air Quality Improvement Program. Ford supports the Air Resources Board (ARB) goal for a sustainable zero emission vehicle transportation system. To transform the transportation system to zero emissions, all stakeholders, including automotive manufacturers, technology suppliers, energy providers, research laboratories, the government, and the consumer, must work collaboratively and be fully committed to achieving the high volume zero emission vehicle goals that the ARB has established. The AB 118 Air Quality Improvement Program is an important government program to encourage the consumer to purchase zero emissions vehicles.

Ford is doing its part by introducing a family of electrified vehicles including advanced hybrids, plug-in hybrids, and battery electric vehicles. We have introduced our Focus Electric and will be adding our next generation hybrid technology in the C-MAX and Fusion later this year, including new plug-in hybrids, the C-MAX Energi and Fusion Energi. However, a sustainable zero emission vehicle transportation system must be not only environmentally sustainable, but economically sustainable. The incentive program provided by the AB 118 funding will help offset the relatively high price of these vehicles in the marketplace, which is a function of the high initial production costs faced by the manufacturers of such vehicles. Such

incentives will continue to be necessary unless and until economies of scale enable lower production costs comparable to the costs of producing conventional gasoline-powered vehicles.

However, Ford is concerned that the funding available for the Clean Vehicle Rebate Project under the AB 118 Air Quality Improvement Program (AQIP) will not be adequate in FY 2012-13. This is recognized by staff as stated in the proposed funding plan – “the Clean Vehicle Rebate Project will only meet about half of the projected rebate demand.” In addition, the Board provided Staff direction during the July 2011 meeting to promote manufacturer diversity. For these reasons, Ford supports manufacturer caps on the amount of incentives a single manufacturer could receive. Ford has suggested a lifetime manufacturer-specific cap that is phased out, similar to the \$7500 federal tax credit. Manufacturer-based caps promote a variety of competitive plug-in vehicle technology to support the diversity of customer needs and preferences. A lifetime cap with a phase-out allows consumers to plan their purchases as the cap is approached. If ARB Staff believes that another type of cap would be better aligned with the ARB’s annual funding approach, Ford would be willing to work with Staff to flesh out such ideas. One possible approach, for example, would be to set an upper limit on the percentage of the fiscal year funding that could be allotted to the purchase of vehicle produced by a single manufacturer.

In FYs 2009-11, a single manufacturer received 87% of the total AB 118 Clean Vehicle Rebates provided. With the number of diverse products expected to be introduced in FY 2012-13, it would be contrary to public policy for a single manufacturer to be provided such a significant portion of the limited funds available. California should be committed to the introduction of a wide array of advanced technology vehicles produced by a number of different manufacturers. Ford believes that a manufacturer-specific cap would increase the diversity of products on California’s roads, thereby providing California with more information and feedback about the performance of a wide range of vehicles and technologies.

In conclusion, Ford would like to work with Staff to establish a manufacturer cap mechanism for the FY 2012-13 Funding Plan to promote manufacturer diversity as directed by the Board last year.