



Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

October 20, 2014

Re: Proposed Amendments to the Zero Emission Vehicle Regulation to be heard by the California Air Resources Board October 23-24, 2014

Air Resources Board Members:

Chrysler Group LLC (Chrysler) appreciates the opportunity to comment on proposed amendments to the Zero Emission Vehicle Regulation, 13 CCR §§ 1962.1 and 1962.2 (ZEV Regulation) and on the Initial Statement of Reasons (ISOR) prepared by staff¹. We also look forward to participating at the public hearing on October 23-24, 2014.

Chrysler is a full line vehicle manufacturer, producing vehicles which range from the Fiat 500 A-class car up to the Ram 5500 heavy-duty truck. We also manufacture the award-winning Fiat 500e battery electric vehicle, which will be part of the Zero Emission Vehicle Showcase at the hearing.

Most of the proposed amendments are targeted at increasing flexibilities for intermediate volume manufacturers (IVMs) to meet the ZEV Regulation requirements. While we remain neutral on whether IVMs should be granted additional flexibilities, Chrysler feels that the reasoning provided for these flexibilities could very well be applied to Chrysler and potentially other large volume manufacturers in many cases.

Corporate Global Revenue Threshold for Large Volume Manufacturer Status is not a Synonym of Corporate Prosperity

Staff proposes to use a global revenue threshold, in addition to the existing sales volume threshold in the determination of manufacturer size status² for the requirement to be fully subject to the ZEV Regulation requirements, and further points to global revenue as a

¹ State of California Air Resources Board. "Staff Report: Initial Statement of Reasons for Rulemaking; Proposed 2014 Amendments to the Zero Emission Vehicle Regulation". (September 2, 2014)

² ISOR, p. 5

constraint on IVMs when discussing the proposed amendments' impacts on business competitiveness³.

The financial metric of revenue is not solely indicative of a manufacturer's ability to bring advanced technology vehicles to market. If the proposed global revenue test were used as an indicator of a manufacturer's ability (or lack thereof) to bring advanced technology vehicles to market, especially as applied to manufacturers of the size to produce only intermediate volumes, we observe that it is difficult to explain how all of the intermediate volume manufacturers listed in the ISOR have a global revenue of less than \$40 billion, yet have sufficient resources to actively design, manufacture, and sell plug-in vehicles (Mazda⁴ and Mitsubishi⁵), or are already in the process of developing them (Jaguar Land Rover⁶, Subaru⁷, and Volvo⁸). Clearly other financial and corporate policy factors can also play an important role in a manufacturer's willingness and/or ability to invest in advanced technology vehicles. For example, net profitability, engineering resources, or available capital for investment, may be additional considerations.

Financial constraints can apply to all manufacturers, small or large. Many, if not all, full line manufacturers will be challenged to meet aggressive zero emission vehicle, greenhouse gas, and criteria pollutant requirements simultaneously. These three regulations (collectively "Advanced Clean Cars") require significant investment in every new or renewed product design, constraining funding available to design, build, and market advanced technology vehicles that due to the public's unwillingness to pay for such features are generally sold at a loss.

³ ISOR, p. 21

⁴ Mazda Demio electric vehicle , available in Japan

http://www.mazda.com/csr/environment/making_car/index_2.html

⁵ Mitsubishi i-MiEV electric vehicle, available in California <http://www.mitsubishicars.com/imiev> and Mitsubishi Outlander plug-in hybrid electric vehicle, available in Japan and Europe

http://www.greencarreports.com/news/1094331_mitsubishi-outlander-plug-in-hybrid-gas-mileage-drive-report/page-3

⁶ <http://www.jaguarlandrover.com/gl/en/about-us/news/2013/09/04/jaguar-land-rover-announces-advanced-powertrain-research-project-to-push-boundaries-of-hybrid-and-battery-electric-vehicle-technology/>

⁷ <http://insideevs.com/subaru-xv-crosstrek-hybrid-is-automakers-first-step-towards-2017-ish-plug-in-vehicle/>

⁸ <http://www.pluginCars.com/volvo-c30-electric>

Chrysler therefore recommends that ARB continue to work with all manufacturers, intermediate and large, to better understand the financial constraints manufacturers operate under and to develop appropriate future requirements and flexibilities as part of future ZEV rulemakings.

Economic Impacts Analysis/Assessment – Potential Impact on Business Competitiveness

In its assessment of potential impacts on business competitiveness⁹, staff postulates that, “IVMs produce significantly fewer vehicles models than LVMs and thus, the ZEV models needed to comply with the ZEV Regulation constitute a greater proportion of their model offerings.” Chrysler agrees that IVMs generally have fewer product offerings. However, the premise that the number of ZEV models needed to comply with the ZEV Regulation constitute a greater proportion of the IVMs’ model offerings ignores that the ZEV mandate is based on a manufacturer’s sales, no matter what the volume of sales is. Proportionally, all manufacturers are subject to the same requirements and are provided with the same flexibility to meet those requirements with a mix of ZEV and TZEV vehicles. LVMs, by virtue of their higher volume driving greater absolute credit requirements, are required to develop a greater volume of advanced technology vehicles, which must therefore be spread across a similar proportion of their model offerings as compared to IVMs. The investments necessary to meet these higher requirements are also larger, placing a proportionally similar burden on both intermediate and large volume manufacturers.

Staff also puts forth the argument that IVMs have had fewer opportunities to establish robust credit banks.¹⁰ All manufacturers are facing steep increases in the number of advanced technology vehicles which will be required to meet the ZEV Regulation requirements, and are provided with the same opportunities to generate credits in advance when both ZEVs and TZEVs earn higher credits relative to the 2018-2025 ZEV Regulation.

Again, we recommend that staff seek to understand the financial constraints and pressures faced by all manufacturers – large and intermediate – and to take such constraints into consideration through future rulemakings such as the midterm review.

⁹ ISOR, p. 21

¹⁰ Id.

Closing

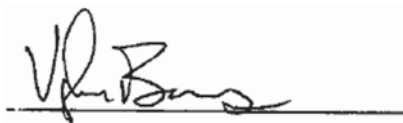
Chrysler wishes to be clear that our comments are intended to demonstrate how Chrysler is constrained similarly to the IVMs; these comments are not intended to be read as opposing the amendments proposed by staff.

Furthermore, Chrysler is a member of the Alliance of Automobile Manufacturers and supports the comments submitted under that cover and its oral testimony. We also continue to remain fully supportive of California's low carbon fuel standard, which is essential for these vehicles to achieve their full environmental benefit.

We appreciate the efforts of staff and the Board to reach out to the public for input on these amendments through phone conferences with stakeholders, a workshop, and public comments. The ZEV Regulation is, and will remain, a challenge for most manufacturers until technology advancements reduce the cost to produce zero emission vehicles and customers are willing to pay at least what it costs to produce them. We look forward to future outreach efforts and cooperative interaction with staff and Board members to continue monitoring the ZEV Regulation for feasibility and to make changes as they become necessary for the overall success of the Advanced Clean Cars program.

If you have any questions regarding our position, please contact Mike Hartrick of my staff at (248) 576-7372 or michael.hartrick@fcagroup.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Vaughn Burns", is written over a horizontal line.

Vaughn Burns

Head – Vehicle Emissions, Certification and Compliance

Copy via email:

Elise Keddle