October 29, 2021

Liane M. Randolph, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chairwoman Randolph:

On behalf of the Truck Renting and Leasing Association (TRALA) members, we submit the following comments in response to the California Air Resources Board (CARB) proposed Advanced Clean Fleets (ACF) Regulation and High Priority and Federal Fleet Requirements.

TRALA is a national trade association which represents nearly 500 truck renting and leasing companies as well as over 100 supplier companies. TRALA serves as the unified voice for the entire truck renting and leasing industry, advocating on its members behalf at both the federal and state levels. The truck renting and leasing industry provides short-term commercial rental vehicles, short-term consumer rental vehicles, and full-service leases to customers who operate a vehicle or a fleet of vehicles. Most TRALA members are family-owned businesses who have operated for generations to supply the transportation backbone to small businesses throughout California. TRALA members have a diverse customer base who typically rent or lease less than four trucks and are dependent on flexible transportation contracts to manage variable operations and expand their business as demand increases.

TRALA members' customers opt to rent or lease rather than purchase trucks due to cost, the complexity of maintenance, and to support seasonal and temporary demand surges. TRALA is concerned that aspects of ACF rule would create zero-emissions vehicles (ZEV) transition challenges for small businesses across California, due to the unique vehicle supply mechanisms of renting and leasing companies. Considering the key role our industry plays in trucking, logistics, and freight movement throughout California, TRALA urges CARB to address two key areas of concern within the proposed ACF rule: 1) Short-term commercial and consumer rental trucks should be exempt from the ZEV targets until the industry and infrastructure matures to support flexible variable rentals, and 2) Leasing companies should be exempt from the ZEV purchase requirements in the ACF rule.

TRALA values our longstanding partnership with CARB, and we are committed to working with the Agency to ensure the renting and leasing industry and our varied roles in the transportation sector are recognized. Our dialogue continued earlier this year, when CARB presented at TRALA's Annual Meeting on the Advanced Clean Trucks (ACT) and ACF rules. After its presentation, representatives from CARB were able to field questions directly from TRALA members and learn about the aspects of the ACT and ACF rules of utmost interest to the renting and leasing industry.

For the purposes of my comments and clarity for understanding our industry, there are key terms which will be used and defined as follows:

- **Full-Service Lease** is a contractual agreement between a leasing company and a lessee to operate a truck for a minimum of one year, in which the lessee operates the truck, and the leasing company typically performs all maintenance and tax and regulatory compliance. The truck operates under the lessee's US DOT number and has its own International Registration Plan (IRP) account and International Fuel Tax Agreement (IFTA) account.
- **Commercial Rental Truck** is a truck owned by a rental and leasing company that is rented to a business for less than one year. The truck operates under the renter's US DOT number and the IRP and IFTA accounts of the rental and leasing company.
- **Consumer Rental Truck** is a truck with a Gross Vehicle Weight Rating (GVWR) of 26,000 pounds or less, which is rented to consumers for the movement of personal goods.

Based on the business segments above, TRALA has significant concerns regarding the proposed definitions of "fleet" and "fleet owner" as it relates to the truck renting and leasing industry. Our members purchase vehicles solely for the use of their customers who control the day-to-day operations of those vehicles. The how, where, or when vehicles may be used is at the customer's complete discretion. TRALA members' primary roles are either:

- Maintain commercial and consumer rental truck fleets, which are specific to the short-term transportation needs of small business and individual consumers, or
- Act as a financial and vehicle onboarding enabler for full-service leases who are more similar to a value-added financial entity than a fleet operator.

Given these specific realities of the renting and leasing industry, the proposed ACF rule language would have an undue burden on the small fleets and businesses whom CARB has intentionally exempted from ACF rule requirements. TRALA members also have serious concerns about their role and liability in the implementation of ZEV transition requirements, given the transient, variable, and customer-controlled operations of leased and rented vehicles. The following sections identify TRALA's key concerns and recommendations to better support small businesses, critical transportation supply chain flexibility, and achieve a feasible transition to ZEVs.

<u>Commercial and consumer rental trucks should be exempt from the purchase requirements</u>

Commercial rental trucks serve a critical economic role for small California businesses who do not specialize in transportation, enabling businesses to add extra capacity during peak seasons; manage growth in an uncertain market; and replace broken trucks at a moment's notice. Commercial rental vehicles have no single operator, no designated single routes, nor home facility. Similarly, consumer rental trucks are owned by TRALA members and rented to customers seeking an affordable option to move their own goods from one location to another. In both instances, TRALA members have no control over where the truck begins and ends its route each day. These variabilities are the reason why rental vehicles' operational profile do not meet the basic standards for near-term electrification: ZEV specifications need to be matched to the limited real-world energy and range needs on a route-by-route basis; vehicles need access to robust charging infrastructure; and businesses can only afford the upfront costs if the rental customer can achieve payback due to potential long-term energy cost savings. None of the electrification benefits match the near-term needs of commercial and consumer rental truck operations or their customers. TRALA strongly believes CARB should exempt commercial and consumer rental trucks from the ZEV turnover requirements, and CARB should consider rental companies as small business service providers until general marketplace factors enable small business ZEV adoption. The following examples underscore these challenges.

Truck Rental Industry is a Small Business and Consumer Service
The truck rental industry is the primary channel for small businesses and individual consumers to access trucks. Consumer rental trucks are a cost-effective alternative to the expense of professional full-service movers and professional home upgrade projects. Truck sharing services for small businesses and consumers are a substitute for private truck ownership, which enables significant cost savings for California residents and businesses. Requiring short-term rental truck fleets to meet the ACF proposed benchmarks will exponentially increase the cost to customers who can least afford to absorb the costs and have limited access to ZEV infrastructure. Furthermore, small business fleets under 50 trucks and $50M in gross revenue are intended by CARB to be initially exempt from the ACF rule. As such, since the commercial truck rental industry primarily serves the small business marketplace, the commercial rental industry should be exempt from ACF and compliance should commence at a later date to be consistent with future rules for fleets under 50 vehicles and/or businesses with revenue under $50M. Additionally, the consumer rental industry should be exempted from the ACF purchase benchmarks due to its transient nature and the fact that it primarily services private individuals who will not have access to ZEV infrastructure.

This modification to the proposed rule would benefit small businesses and the overall goals of CARB. Exempting commercial and consumer rentals from the ACF purchase requirements would allow for a more orderly transition to ZEVs. It would further provide small fleets time to plan for access to charging infrastructure, which they currently do not have and/or cannot afford to build on their locations. Additionally, this exemption would allow California time to expand its already limited electricity and power output to accommodate the amount needed to handle this portion of the regulated fleets. Finally, it would increase CARB's compliance effectiveness given the transient nature of the rental industry and complete lack of control the renting company has over the customers' use and operation of such vehicle.

ZEV Retail Infrastructure Does Not Currently Support Small Fleet Operators
Another challenge that needs to be addressed is how rental customers will not have the appropriate ZEV infrastructure to support the trucks for the entirety of the rental period. Depending on the nature of TRALA members' customer's business, its rented trucks often will not be operating within a ZEV-supported infrastructure. For example, a seasonal rental industry, like a summer concert series, will rent trucks for anywhere from a few weeks to a month each year. Seasonal rentals such as these do not stop at the same location each day and would face significant problems with charging ZEVs.

Therefore, the responsibility of meeting the ACF purchase benchmarks should be on the individual or company renting the vehicle rather than the rental company, as it would place a significant financial burden on the rental company. The financial burden imposed on rental fleets would likely be hard to recoup as most commercial rental customers would choose not to rent a ZEV as most rental customers would not have the capability to charge ZEVs and public charging may either be unavailable or unfeasible. The increased costs to purchase ZEVs and the required charging infrastructure based upon a large rental fleet would lead to dramatically higher rental rates for all trucks. Placing a significant strain on the small businesses who rely on the ability to rent trucks for short periods of the year to operate a portion of their business. The rental industry will likely lose customers, many of which will be small businesses who cannot absorb the increased costs of renting and operating ZEVs.

No Control Over California-based Operations
Due to the nature of the rental industry, where it is at the customer's discretion to rent and return the truck, it is not feasible for TRALA members to proactively determine where rental trucks are going and

therefore, may occasionally enter California without the knowledge of the TRALA member. While leased trucks tend to operate in certain states each year and are more predictable for planning purposes, rental trucks are dependent on the renting customer's needs, and so rental trucks can move across the country each year based upon the use by the customer. Often individual rental trucks operate in dozens of individual states as well as in Canada.

For instance, a potato farmer in Idaho could rent a truck from a TRALA member to deliver potatoes to its food distributors in Colorado and Utah. This same truck could then be rented in Utah by a flower company needing an extra truck to fulfill flower orders by its customers in Utah, Nevada, and one store in California in anticipation of Valentine's Day. In just a few days, this rental truck has operated in five states by two different customers and is set to be rented by another customer in Utah who could operate in even more states. Due to the delivery to the flower shop in California, this rental truck has now operated within California, and it would be considered a part of the TRALA members' ACF fleet size, without the TRALA member having any actual control over its fleet or ZEV targets.

While California-based customers may be able to rent a ZEV in an area with public charging capabilities, the ZEV truck may not be able to find charging locations once it entered a new state to make additional deliveries. It is not uncommon for businesses to rent trucks in one state and operate it in another, and the use of ZEVs in areas which do not have adequate charging capabilities would create significant problems for TRALA customers who rely on rental trucks. Furthermore, requiring rental companies to track and limit each rental truck individually to single state or non-California operations would represent a significant change in the rental industry and for the small businesses that depend on it, with challenging enforcement and liability issues.

Vehicle Supply Concerns
TRALA believes there should be language included in the ACF rule delaying any purchase benchmark if the single-source Original Equipment Manufacturers (OEMs) cannot meet the ZEV requirements for certain applications. TRALA members have long standing relationships with OEMs by working hand-in-hand to efficiently incorporate new technologies into the transportation sector on behalf of their customers. Many TRALA members are smaller operators exclusively purchase trucks from specific OEMs, giving the TRALA member critical pricing and maintenance benefits. The inclusion of the additional language would provide assurances for TRALA members and help maintain strong, existing partnerships.

<u>Leasing Companies should be exempt from the ZEV purchase requirements in the ACF rule</u>

While full-service truck leasing can play an important role in the ZEV transition, TRALA members do not operate vehicles nor have control over how any individual customer can meet its holistic ZEV transition fleets. Full-service leasing can help enable ZEV adoption by customers by providing lower-cost access, specification support, training, and maintenance for new ZEV onboarding. However, leased vehicles may comprise of all or a portion of the lessee's statewide fleet, and the lessor has no input or control on how a leased vehicle fits within a customer's overall ZEV transition plan. Additionally, the leased truck operates under the lessee's US DOT authority and the how, when, and where the leased truck is operated is at the sole discretion of the lessee and not the lessor.

TRALA members purchase new trucks on behalf of their customer (the lessee) to the customized spec of what the *lessee* requires for their individual business needs. As a result, the decision on what type of truck, whether it is size, engine type, safety equipment, or any other feature is completely up to the lessee. A full-service lease is fundamentally a transportation onboarding service, offering customers all of the back-office functions of a motor carrier including volume purchase discounts, titling and registering the vehicle, IRP and IFTA compliance, and the processing of all state and federal taxes on the vehicle. Finally, a full-service lease includes all maintenance and warranty work needed for the truck, as well as the use of a rental truck in case the leased truck breaks down. The leasing model helps reduce the cost of ownership of a truck for a lessee and ensures the supply chain can remain functioning efficiently.

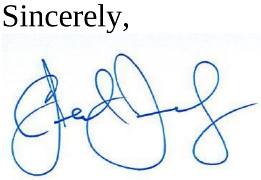
In many ways the ownership of a full-service leased truck is not dissimilar to a financing entity, which is already exempted from the ACF rule. TRALA members offer financing and additional services in exchange for a monthly fee, and like a financing entity, TRALA members have no authority over the type of truck chosen by the lessee. Furthermore, TRALA members, like a financing company, will not be in charge of the operation of the truck and thus should not be required to meet the purchase benchmarks outlined in the ACF rule.

The proposed ACF rule requires the registrar of the vehicle to meet the ZEV purchase benchmark. Under multi-year leases, the lessor will register the vehicle as a part of the full-service lease, on behalf of the lessee. CARB should clarify that all vehicles leased for more than one year are the responsibility of the lessee, not the lessor, regardless of registration or title. The important qualifying factor for the ZEV transition is vehicle operation, not paperwork. Language requiring the registrar of the vehicle to meet the purchase benchmarks needs to be changed to the motor carrier in charge of operating the vehicle.

TRALA believes our industry is an important partner in the ZEV transition. However, the renting and leasing industry itself is a service and financing enabler, and not a direct fleet operator with control over ZEV utilization or adoption. We believe CARB must be clear that the ACF rule regulates motor carriers through their US DOT authority, rather than forcing our industry to police its customers through contractual provisions, which are almost impossible to monitor and enforce effectively. Motor carriers are in the best position to plan for ZEV needs, implement infrastructure strategies, and track and report the size and use of their own fleet within California.

TRALA urges CARB to take into consideration our concerns and adjust the ACF rule to appropriately acknowledge the nature of the truck renting and leasing industry. Within our comments, TRALA outlined two issues that must be addressed in the final ACF rule to better reflect operating realities: 1) Short-term commercial and consumer rental trucks should be exempt from the ZEV targets until the industry and infrastructure matures to support flexible variable rentals, and 2) Leasing companies should be exempt from the ZEV purchase requirements in the ACF rule. TRALA remains ready to work with CARB to make ACF rule more amenable, and we would welcome a more in-depth discussion to further address the implications of the proposed regulation on the truck renting and leasing industry.

Sincerely,



C. Jake Jacoby
President and CEO
Truck Renting and Leasing Industry