



June 4, 2018

Mary Nichols,
Chair, California Air Resources Board
1001 I St
Sacramento, CA 95814
Via Docket Submission

David Lanier
Secretary, California Labor and Workforce Development Agency
800 Capitol Mall, MIC-55
Sacramento, CA 95814

RE: Comments Concerning Potential Procedures for Certifying Manufacturers' Fair Treatment of Workers for Clean Vehicle Rebate Project Eligibility, Docket: cvrp-labor-2018-ws

Dear Secretary Lanier and Chair Nichols:

The purpose of this letter is to provide feedback on the ARB/LWDA request for comments on its proposed Procedures for Certifying Manufacturers' Fair Treatment of Workers for Clean Vehicle Rebate Project (CVRP) Eligibility.

Zero Motorcycles (Zero) is a small, electric motorcycle manufacturer with our factory and headquarters located in Scotts Valley, California. Zero is the second largest producer of electric vehicles in California by volume, manufacturing thousands of electric motorcycles each year. We are extremely proud to design and build our high technology vehicles right here in California. Many California motorcycle riders have switched to our zero emission motorcycles in part due to the success of the CVRP incentive.

Zero was founded in 2006 and is the only American company still producing high-performance electric motorcycles for broad distribution in the US. In our eleven years, we have grown from a startup in a Santa Cruz, California garage, to an internationally respected brand that employs over 150 people and is working to revolutionize the motorcycle industry. We have produced our electric motorcycles for individual American consumers, local municipal police forces, international consumers, and even the U.S. Navy.

As a small U.S. manufacturer, we are requesting that ARB and LWDA consider revisions to the proposal which better accommodate small manufacturers who are part of the CVRP. In the document below we offer potential considerations to allow for fair and responsible treatment of workers while supporting a new and growing American industry.

Zero Strongly Supports the Fair and Responsible Treatment of Workers

The proposed Concept Paper is an excellent start to creating certification procedures for the fair and responsible treatment of workers by manufacturers whose vehicles are included in the CVRP. The staff of ARB and LWDA have done a commendable job balancing the legislative requirements within a certification process.

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One area of improvement to the proposed certification process would be to consider how smaller vehicle manufacturers are certified as part of the process. As an illustration, the California Transparency in Supply Chains Act is cited as a key commitment in the certification checklist, however this law only applies to companies with revenues above \$100,000,000. Several state rebate programs including the CVRP have participants who classify as small business manufacturers with less than \$100M in revenue or less than 1000 employees. The SBA uses a maximum of 500-1000 employees in a number of their programs as the threshold for being considered a small business in vehicle manufacturing.¹ Small manufacturing companies like Zero should be allowed to follow a compliance path which lets them evolve into the program, creating a plan for future compliance for elements that do not currently apply to smaller manufacturers or which are not currently tracked by the companies.

Avoid Creating Undue Burdens on Small U.S. Manufacturers

As a sub-scale American manufacturer, Zero relies on a global supply chain involving many vendors, some of which further subcontract for parts that are then included in our electric motorcycles. Our supplier contracts do not currently include labor provisions, but as we develop new products over a several year product lifecycle, we will have the ability to add these provisions. Some of our parts come from larger aggregators where we purchase the items as a commodity in the marketplace. Examples of the kinds of components include electronics parts, nuts and bolts, and smaller subsystem assemblies shared with other manufacturers. Again, due to our scale, we do not have the ability to influence the suppliers of these parts, so these areas of our supply chain would need to be exempted from potential supply chain provisions.

Zero is still a startup that has to manage cash flow closely and does not have the scope or resources to change suppliers easily, or to invest the significant additional resources it would take to develop new molds and specifications for our components. We are particularly wary of additional supply chain regulations which would cause disproportionate harm to Zero as a small manufacturer. Zero could face a significant increase in its material costs and, as a result, erosion in profits or acceleration of losses.

As a representative of many small manufacturing companies, we hope that the certification process can be streamlined and not create undue burden from additional regulation, while still achieving the goal of fair treatment of workers.

Specific Comments on Concept Paper from the Perspective of a Small California Manufacturer

During Phase 1 of the eligibility certification process, we request that ARB/LWDA consider adding flexibility to the documentation submission, by adding "if any" or "as available" to the bulleted points in the documentation of the labor practices. Some of the requirements like worker injury rates are already a required submission for OSHA, and are available from almost any size manufacturer.

¹ https://www.sba.gov/sites/default/files/Size_Standards_Table.pdf

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We also propose the addition of a paragraph to the Phase 1 certification documentation process:

- *For smaller manufacturers with less than \$100,000,000 in revenue or less than 1000 employees, the manufacturer will provide a plan for compliance with elements of the certification process which are not currently tracked or monitored by the manufacturer. The manufacturer will also have the option to indicate areas of the certification which are not applicable to their application, such as compliance with the California Transparency in Supply Chains Act.*

During Phase 2 of the eligibility certification process, we request that the same considerations suggested for Phase 1 be included for Phase 2, again allowing for reasonable program flexibility for small manufacturers.

We believe you will find that this approach better represents California's goal of supporting California based small manufacturers and an emerging American EV industry leveraging their success while maintaining fair and reasonable treatment of workers. We believe that the growth of this industry will create thousands of new well-paying American jobs over the next five years.

Thank you in advance for your consideration,

Sincerely,



Jay Friedland
Vice President of Government Relations
Email: jay.friedland (at) zeromotorcycles.com