August 9, 2022

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 second draft of 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 that operate a vehicle or fleet of vehicles. Most TRALA members are family-owned businesses that have operated for generations to supply the transportation backbone to small businesses throughout the U.S. and in California. Their diverse customer base typically rents or leases less than four trucks per customer and are dependent on flexible transportation contracts to manage variable operations and expand their small businesses.

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. These vehicle operators are the businesses least able to manage a transition to zero-emission vehicles (ZEV), due to cost, access to refueling infrastructure, and highly variable operations. TRALA is concerned that aspects of the ACF, as currently drafted, would create ZEV transition challenges for small and often minority-owned businesses across California, due to the unique vehicle supply mechanisms of rental and leasing companies. Considering the key role our industry plays in trucking, logistics, and freight movement throughout California, TRALA urges CARB to address three areas of concern within the updated language of the proposed ACF rule prior to finalization, which includes:

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,
2) Leasing companies, like financing companies, should be exempt from the purchasing requirements in the ACF rule, and
3) ACF's ZEV milestones are too stringent and should allow for more time to meet those targets taking vehicle supply and production time into account.

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We believe there is space to work together to further refine the draft regulation in a manner that achieves both the state's environmental objectives and the needs of a critical industry. We appreciate your willingness to engage and for some of the changes we suggested that were incorporated into this current draft.

As in our prior ACF comment letter, there are key terms which will be used throughout this document that, for purposes of clarity and industry understanding, we define 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 maintenance services. 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 that has a Gross Vehicle Weight Rating (GVWR) of 26,000 pounds or less, that is rented to consumers for the movement of their own goods.

TRALA members continue to have serious concerns about their role and liability in implementation of CARB's ZEV transition requirements. Given the transient, variable, and customer-controlled operations of these vehicles has not and will not change under the proposed rule, TRALA encourages CARB to address the remaining issues outlined in this letter and from our October 29, 2021 comment letter.

<u>Support for Full Commercial and Consumer Rental Truck Exemption</u>

Rental trucks are fundamentally temporary transportation assets that are utilized by multiple customers throughout the year. Flexible fleet access serves a critical economic role for small California businesses that do not specialize in transportation, enabling businesses to add extra capacity during peak seasons, manage growth in an uncertain market, and replace trucks at a moment's notice. These rental vehicles may be owned by a single entity, i.e., a rental or leasing company, but the vehicles have no single operator, no designated single routes, and no single home facility. These variabilities are the reason why rental vehicles' operational profile does not meet the basic standards for near-term electrification.

For electrification of transportation fleets to be successful, 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 they can achieve payback due to potential long-term energy cost savings. Perhaps this is why CARB's inclination is to limit the universe of fleets obligated to comply with the ACF to companies with 50 or more vehicles and/or businesses with revenue greater than $50 million annually. None of these requirements match commercial and consumer rental truck operations.

Recognizing that small businesses are ill-suited to lead the transition to ZEV adoption, it stands to reason that the lessors whose primary purpose is to rent trucks to these customers should not be required to indirectly impose ZEV fleet conversion requirements on the same market. As CARB exempts small businesses from the ZEV turnover requirements, CARB should extend this exemption to the full commercial and consumer rental truck industry. The following examples help illustrate why TRALA continues its request to exempt the truck rental industry from the ZEV purchase requirements outlined in the draft ACF regulation.

Rental Trucks Industry are a Small Business and Consumer Service
The truck rental industry is the primary channel for small businesses and individual consumers to access trucks. Small businesses as diverse as florists, caterers, landscape companies, and countless others depend on flexible short-term rentals to match their temporary seasonal and high-demand business needs. Individual consumers rely on rental trucks as a cost-effective alternative to the expense of professional full-service movers, professional home upgrade projects, and countless other as-needed projects. Truck sharing services for small businesses and consumers are a substitute for private truck ownership that enables significant cost savings for California residents and businesses as well as reduces the carbon footprint in California by using fewer vehicles to serve a larger customer population. Requiring short-term rental truck fleets to meet the ACF rule benchmarks will exponentially increase the cost to small business and individual consumer customers, who can least afford to absorb those costs or access limited charging infrastructure. We therefore request that rental trucks be recognized as a small businesses and consumer service product without operational control over vehicles under its ownership, and therefore exempt from all purchasing requirements of the ACF. This exemption should apply to commercial and consumer trucks rented for less than one year.

This modification to the proposed rule better aligns with the real-world use case of the vehicles: they serve a temporary, consumer and small business function. Fully exempting rental vehicles would benefit small businesses and allow them to operate their businesses by managing transportation expenses and related capital investments more efficiently. Exempting rental fleets would also 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
A critical challenge that must be considered and addressed in the ACF rule is how rental customers will not have the appropriate electric vehicle service equipment (EVSE) to support the trucks for the entirety of the rental period. Depending on the nature of our customer's business, and the relative dearth of public EVSE especially for the medium- and heavy- duty industry, it is highly likely rented trucks will not be operating with easy access to the necessary ZEV charging or refueling (in the case of fuel cell trucks) infrastructure. For example, a seasonal rental customer, like a summer concert series, will rent trucks for anywhere from a few weeks to a month each year. These trucks do not stop at the same location each day and would face significant problems with charging ZEVs. Often times charging locations are not publicly accessible or are not ideally situated to match the needs of the routes and services of the industry.

Exempting rentals from the ACF purchasing requirements would allow for a more orderly transition to ZEVs infrastructure networks. An exemption would provide small fleets time to plan and identify access to charging infrastructure that is currently unavailable and/ unaffordable to build, particularly for vehicles that they do not own. Additionally, it would allow California time to expand public charging availability throughout the state. The transition to ZEV will place a greater strain on California's already overburdened electricity transmission infrastructure and power supply to accommodate the amount needed to handle this portion of the regulated fleets. Due to the lack of accessible charging to match consumer needs and the nature of the industry, placing the onus of ZEV requirements onto the vehicle rental and leasing industry is irresponsible and unfair towards the small businesses and individual consumers that depend on the reliability and cost-effectiveness of short-term rentals and leases.

Should the rule be adopted as proposed, negative economic repercussions would exist to small businesses as well as the rental industry. The potential financial burden imposed on rental fleets would likely be hard to recoup, as most commercial rental customers would choose not to rent a ZEV due to lack of access to appropriate charging infrastructure. The increased costs to purchase ZEVs and the required charging infrastructure for large rental fleets would also lead to dramatically higher rental rates for all trucks. Small businesses and consumers rely on our members to conduct business operations and any instability in vehicle supply or volatility in pricing will severely and negatively impact their livelihoods. This would place a significant strain on the small businesses operating throughout California, but particularly those from low-income communities who rely on the ability to rent trucks for short periods to operate a portion of their business.

It is worth noting that the current language requires and incentivizes fleets to remove existing diesel and gasoline vehicles from their California fleets to meet compliance standards, reducing the overall supply of fully flexible rental vehicles in the state. For short-term rental truck customers, who may not have ZEV-applicable driving needs or charging access, this will artificially increase demand for any remaining diesel and gasoline vehicles in California. The resulting shifts in marketplace dynamics and product availability will ultimately disadvantage customers already operating on very thin margins and limited ability to seek and secure alternative transportation services. ***The unique and transient nature of rental vehicles runs contrary to the ability to effectively implement the ACF regulation without imposing significant economic burden on small businesses that the ACF attempts to exclude.***

No Control Over Movement of Rental Fleet

Due to the nature of the rental industry, it is entirely at the customer's discretion of where to rent and return the truck, it is not feasible for TRALA members to proactively determine where rental trucks are going nor know if they occasionally enter California. While leased trucks tend to operate in certain states each year and are more predictable for planning purposes, rental truck use is dependent on the renting customer's needs. 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. This creates a varied fleet size of rental trucks in California each year and can change the percentage of ZEV to gas or diesel based upon the customer use, and not the rental companies control of their fleet. There is simply no way for TRALA members to monitor such activity, let alone enforce adherence to this rule.

In addition to the difficulties of maintaining control over where rental vehicles operate, the ACF requires fleets to report on the changes to a fleet based upon Section 215.4 making compliance placed on a rental company due to the transient nature difficult. For example, a company may rent multiple ZEVs to customers based in California who operate vehicles in multiple states, at the completion of that rental period the customer returns the ZEV to the rental company at their location in Colorado. At the same time, a different customer may rent multiple diesel vehicles from the same rental company in New Mexico and turn those trucks into a facility in California. Due to the nature of the rental industry, a rental fleet experienced a net outflow of ZEVs from their California fleet, and a net in-flow of diesel trucks into California placing their California based operations out of compliance with the fleet requirements of the ACF. While CARB tried to mitigate this problem with a quarterly averaging model, there simply is not enough direct control over the operation of vehicles in a rental fleet to meet these requirements nor enough time to report any changes to CARB within 30 days. TRALA strongly believes this is another example for why rental trucks should be exempted from the ACF rule.

Vehicle Supply Concerns

TRALA members have long standing relationships with the Original Equipment Manufacturers (OEMs) by working hand-in-hand to efficiently incorporate new technology into the transportation sector on behalf of their customers. Many TRALA members are smaller operators that exclusively purchase trucks from specific OEMs, giving them critical single-source-OEM pricing and maintenance benefits. This relationship builds a strong relationship between the OEM and the renting and leasing company, but it also places the TRALA member at serious economic risk, should the sole-source OEM face supply or technical issues with their ZEV's, or are not focusing resources on the specific rental market segments needed for TRALA member companies. As previously stated, the ACF will force California-based fleets to eliminate or remove existing gas or diesel vehicles prior to the end of their standard operational life to achieve Milestone targets, which will also have an impact on manufacturing supply lines, emissions, and life-cycle sustainability impacts of these rental fleets.

Given this reality, as well as the concerns of supply chain and technical issues related to a still emerging technology, TRALA believes there should be language included in the rule delaying any purchase benchmark if single-source OEMs cannot meet the ZEV requirements for certain applications or have functional problems that do not allow the rental and leasing industry to adequately operate these vehicles. Furthermore, CARB needs to outline an exception for circumstances if or when ZEVs become inoperable; the technologies/vehicles fail. TRALA members are dependent on providing reliable vehicles to rental and leasing customers. The proposed rule holds rental and leasing companies at an unrealistic standard to purchase vehicles that may or may not meet the customer market. The inclusion of the additional language would provide assurance for TRALA members and help maintain strong, existing partnerships.

Purchase requirements should be placed on the motor carrier in charge of the operation of the truck not on the leasing company

With respect to full-service truck leasing, 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 that offers customers all of the back-office functions of a motor carrier including volume purchasing discounts, titling and registering the vehicle, the IRP and the IFTA compliance, and the processing of all state and federal taxes on the vehicle. Finally, a full-service lease typically 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 are 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 safety and operation of the truck and thus should not be required to meet the purchasing benchmarks outlined in the ACF rule.

TRALA urges CARB to amend its language to explicitly place the purchasing requirement for ZEVs on the lessee of the vehicle as they are in charge of the selection and operation of the vehicle. CARB included language in its May 2, 2022 draft under section 2015(b)(36)(b) defining a “fleet owner” which presumes the owner of the vehicle for the purposes of compliance with the ACF to be the rental or leasing company, unless the lease term is for longer than one year and there is language in the lease agreement placing the responsibility for compliance on the lessee. This proposal is unworkable, as it would place responsibility on the lessor to confirm that the lessee was in compliance, while also making it less desirable to lease a truck. CARB should eliminate the contract language in 2015(b)(36)(b) and amend the definition of fleet owner in 2015(b)(36) to be the entity who owns the vehicles in the fleet and is responsible for the daily operation of the vehicle.. Additionally, for these same reasons, CARB also needs to clarify that lessors do not fall under the definition of “Controlling party” as stipulated in Section 2015(b)(20) of the May 2, 2022 draft. TRALA members do not broker cargo services, nor do we dispatch, direct or otherwise manage the day-to-day operations of the vehicles that we lease.

TRALA believes the rental and leasing industry is an important partner in the ZEV transition. Full-service leasing can help enable ZEV adoption by customers by providing lower-cost access, specification support, training, and maintenance for the acquisition and deployment of new ZEVs However, the rental and leasing industry itself is a service and financing enabler, and not a direct fleet operator with control over ZEV utilization or adoption. The role played by rental and leasing companies in reducing the cost of ownership of ZEVs will be important for the incorporation of ZEVs into many fleets. However, the incorporation of ZEVs will remain subject to market forces, as many fleets will choose not to incorporate ZEVs into their fleet due to cost, complexity, and availability. TRALA believes CARB should include an exemption for rental and leasing companies if there is no market for certain types of vehicles not being utilized. Where dedicated fleets will purchase the vehicles they need for their specific operations, rental and leasing companies will acquire all types of vehicles based upon their customers potential needs. This will impact the size and makeup of a renting and leasing company's fleet, and if there is no market for certain ZEVs it will cause significant harm to a rental and leasing company, which is why TRALA believes there should be an exemption from certain types of ZEVs if there is no market for them.

Given these examples of how this rule will impact leasing companies, we believe CARB must clarify that ACF regulates motor carriers through their U.S. DOT authority, rather than forcing our industry to police its customers through contractual provisions that are almost impossible to monitor and enforce effectively. Motor carriers that operate equipment are in the best position to plan for ZEV needs, implement infrastructure, and track and report the size and use of their own fleet within California.

Milestone Pathways Too Stringent

TRALA understands CARB's goal of reducing criteria pollutants and carbon emissions from the environment. Furthermore, we believe the milestones set must be sensible to successfully achieve immediate and near-term reductions, while working towards long-term goals. This must be balanced with minimizing the potential negative immediate and downstream economic impacts of the current overly-ambitious milestones.

The distinction of three separate groups - Milestone Groups 1, 2, and 3 - with tiered ZEV percentage requirements are a reasonable starting point, but the timeline and the percentage increases cannot possibly be achieved in the current state of available technologies on several fronts. The medium- and heavy-duty electric vehicle technology is nowhere near the capacity and range that is required of the types of long-haul operations that end-users are performing. The sheer amount of energy required to supply Milestone Groups 2 and 3 are astronomical and utilities will require years to be able to assess, upgrade, and deploy the electrical supply infrastructure that would be required to keep these vehicles running. Even if utilities were able to provide the cabling and connections required, it would still be a significant struggle to generate and supply the power required to charge fully electrified fleets; it would need to be measured in megawatts of capacity per charging site. TRALA proposes assessing the actual capabilities of OEMs to develop units with comparable operational capabilities as well as their ability to manufacture enough vehicles to a degree that increasing marginal returns can be achieved to and translated to pricing that can organically compete with the traditional diesel and gasoline vehicles in equivalent weight classes.

Allotting 2-3 years to increase the percentage of a fleet to ZEV by 15%-25% is an impossible expectation. OEMs are already setting delivery timelines of upwards of 12-18 months, and while the ZEV Delivery Delay extension may be utilized, the reporting requirements associated with qualifying for that exemption create yet another administrative burden on our members. If OEMs are experiencing delivery timetables measured in years currently, imagine what the norm for average delivery schedules will be once the ZEV purchase requirement comes into effect. By the time the first milestone years are reached (2025 for Group 1, 2027 for Group 2, and 2030 for Group 3) and actual delivery of the vehicles are completed, it will be time to purchase additional ZEVs to increase the ZEV percentage of the fleet by 15%. This cascading effect of being perpetually behind the curve will in turn leave our members in a constant state of reporting to qualify for the ZEV Delivery Delay extension and remain in good standing. Setting more increments of percentage goals with more time in between will allow an orderly transition to ZEVs with a more reasonable flow of supply reaching genuine demand as the technology improves and becomes more competitive with traditional internal combustion engines.

Streamlined Reporting Systems

Given the scope and breadth of California's emission requirements and associated reporting systems, TRALA customers are facing a rising cost of doing business in California, including the personnel time for managing reporting across multiple, but distinct, medium- and heavy-duty regulations. TRALA members include many small businesses without dedicated compliance teams, and compliance would be greatly simplified with an integrated reporting system that accommodates data across all of CARB's on-road and equipment rules. Reporting the same VIN-specific data, odometer, sale information, and corporate information could be simplified and immediately verified and populated across regulation reporting systems including the ARBER Drayage Truck Registry, ACF Reporting, HDVI/M reporting, TRU, and legacy Truck & Bus systems.

Summary

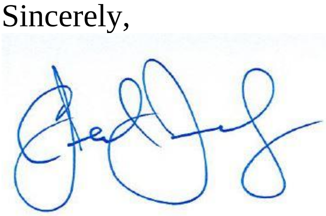
On behalf of our members, TRALA urges CARB to take into consideration our recommendations and concerns by adjusting the ACF rule to appropriately acknowledge the unique role the "end user" customer plays in the truck renting and leasing industry. TRALA outlined three changes that should be reflected 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,
2) Leasing companies, like financing companies, should be exempt from the purchasing requirements in the ACF rule, and
3) ACF's ZEV milestones are too stringent and should allow for more time to meet those targets taking vehicle supply and production time into account.

TRALA remains ready to work with CARB to make ACF 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.

We thank you once again for meeting us with the spirit of cooperation and an earnest desire to understand the truck renting and leasing industry, and we recognize CARB's adoption of updated language that helped to address some of the concerns that TRALA previously shared on behalf of our members.

Sincerely,



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