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July 16, 2013

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Proposed AB 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2013-14

Dear Chairman Nichols:

UPS supports the goals of the AQIP program overall and believe these investments are helping to accelerate the transformation of the transportation sector in California. We are particularly interested in the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP) and are writing to provide comments on this program. HVIP is currently oversubscribed and will have to be consistently funded at higher levels in order to accelerate the development and deployment of near- and zero emission trucks and buses. We support the proposed \$5 million allocation for this program, but note that this amount is not sufficient to meet needs.

HVIP is a Valuable and Successful Program

Trucks are an increasingly important area for California climate and criteria emissions, particularly in goods movement. Cleaner trucks and buses are essential if California wants to meet its near- and long-term emissions goals. HVIP is one of the few tools driving early deployment of the advanced zero- and near-zero technologies the state needs in trucks.

UPS has been a HVIP recipient and we believe that this program helps manufactures gain economy of scale to move towards competitive pricing for low emissions vehicles. We operate on the largest alternative fuel fleets in the US and intend to grow the fleet with programs like HVIP supporting the industry.

Making a business case for advanced technologies is critical to commercial fleets purchasing vehicles. This is why HVIP is so important. The program directly reduces the cost of hybrid and zero emission trucks and buses right at the point of purchase. This is a model that works and it is supporting the early market in California. To date, roughly 1,700 hybrid and electric truck and bus purchases have been driven by HVIP funding, a big percentage of these vehicles on the road in the US. The program has won an award and is being copied in other states and regions, with New York and Chicago both implementing HVIP-style programs.

HVIP incentives are tremendously important to the early market for clean, advanced technology trucks and buses. It is important to note that there are NO federal or other incentives for these vehicles. State and local incentives, such as HVIP, are the only real market drivers. In time, HVIP incentives will help reach economies of scale, prices will come down, and the need for incentives will go away. However, we are not yet at that point for commercial vehicles. Consistent and predictable HVIP funding is essential at this critical time in market development.

HVIP Funding Shortfalls and Program Suspensions are Slowing Market Growth

Continuity and consistency are highly critical in the commercial vehicle sector because of longer procurement timelines. HVIP has been providing a strong market signal in recent years, but the program is currently out of funds and suspended until FY 2013-14 funds are made available. This program suspension and lack of consistency is very damaging for the market. In order to ensure continued progress in this sector, HVIP funding should be re-established as soon as possible.

The \$5 million in proposed funding for HVIP is necessary, but not sufficient for FY 2013-14. The Funding Plan estimates demand for the year at \$12-25 million, suggesting that the shortfall for this year is at least \$7 million. In order to maintain momentum and avoid another program suspension, it will be important to identify additional funding for the HVIP program.

We recognize that resources are limited and that the Funding Plan was developed assuming just \$25 million in revenues for the AQIP program. We also understand there are many competing priorities for these funds and we realize that the light duty Clean Vehicle Rebate Project (CVRP) is also oversubscribed. We believe staff has struck a good balance in this plan, setting aside \$5 million for HVIP and \$10 million for CVRP, with a reserve of \$5 million. Our goal in providing these comments is to underscore the importance of the HVIP program and the benefits it provides. We are committed to working with you to ensure that HVIP continues to support the growth of the market for zero- and near-zero emission trucks and buses in California.

Sincerely,



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