LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

October 14, 2014

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

Re: **Proposed Modifications to ARB Zero Emission Vehicle Regulation – SUPPORT**

Dear Chair Nichols:

On behalf of the Los Angeles County Economic Development Corporation (LAEDC), an organization dedicated to promoting job growth, economic expansion, and increasing the overall global competitiveness of Los Angeles County and the State of California, please accept this letter urging the California Air Resources Board (ARB) to adopt the proposed modifications to ARB's Zero Emission Vehicle (ZEV) Regulation that were negotiated between ARB and a coalition of five intermediate volume vehicle manufacturers ("IVM5"): Jaguar Land Rover; Mazda; Mitsubishi Motors; Subaru; and Volvo.

ARB is proceeding with rulemaking to achieve the goal of increasing the number of zero emission vehicles on California roadways. And so, the LAEDC first wants to reinforce our own commitment to building and nurturing a thriving ZEV industry – as a facilitator of innovation, job creation and environmental sustainability. In our own work, we have worked tirelessly here in LA County to resolve the many challenges associated with growing LA's own locally-serving, yet production-based and export-oriented, ZEV market. The LAEDC not only shares but has been at the forefront of implementing Governor Brown's ZEV mission, pursuant to Executive Order B-16-2012 (dated: March 23, 2012), "to encourage the development and success of zero-emission vehicles to protect the environment, stimulate economic growth and improve the quality of life in the State."

With that said, our problem has never been with the noble ZEV Regulation goals; but rather, our concern is how California gets to those goals. It is important to remember that ARB is an *environmental* agency, founded in 1967 with the express purpose to "attain and maintain healthy air quality" in the State of California. Even so, as the chief regulatory (rulemaking) agency charged with developing regulations to meet our state's long-term emissions reduction goals, pursuant to AB 32 (or otherwise), ARB has an affirmative duty, under the express language of the Act, to design emissions reduction measures in a manner that both "minimizes costs and maximizes benefits for California's economy" and "maximizes additional environmental and economic co-benefits for California, and complements the state's efforts to improve air quality."[1] (Health and Safety Code § 38501(h)).

[1] AB 32 adds Division 25.5 (commencing with Section 38500) to the Health and Safety Code.

For ARB to meet its "environmental and economic co-benefits" rulemaking obligation (burden) as it moves through – and now concludes – its ZEV Regulation rulemaking process, ARB – as an environmental agency – must fully appreciate and develop (analytically) an *a priori* understanding of the complex workings of the industry – herein Automotive – which it is effectively regulating. This requires ARB to work closely with [Automotive] market participants to understand technology limitations, to assess how the industry may be impacted by certain regulatory stressors, and to create an orderly and constructive framework that allows companies to satisfy ARB's ZEV program objectives, while continuing to protect our all-important Automotive Industry Cluster and its deep research, design and production-based value chain, which taken together employs almost 10,000 workers in LA County alone (2013).

We understand that the IVM5 coalition members – two of which: Mazda and Mitsubishi Motors are headquartered in Southern California – have been working closely with ARB over the past 18 months to painstakingly negotiate just such a constructive framework, which ARB will consider adopting at its board meeting on October 23rd. The new modifications provide IVMs with additional lead time (two more years) during which to reasonably deliver ZEVs and modify IVM ZEV requirements in a way that results in an 18.4 percent metric that more closely aligns with large volume vehicle manufacturers. This makes absolute sense programmatically.

As ARB assesses the respective costs and benefits associated with its original ZEV Regulation proposals versus the negotiated modifications, we ask that ARB not simply weigh the presumed public benefits against only the estimated private costs to the affected Automakers (e.g., OEMs). This is a wholly imbalanced and prejudicial cost/benefit comparison, especially when one considers the significant economic contribution of all the upstream inputs (supply chain purchases, labor expenditures) and downstream impacts (consumers and others who rely on this industry's services/products) associated with the state's Automotive Industry. Point being, there are major "public" costs that would be incurred (and thus must be considered) with ARB's ZEV (and other) regulatory proposals.

From our perspective as Southern California's premier economic development leadership organization, it is important to keep these five automakers in our market. It is especially important to keep Mazda and Mitsubishi Motors headquartered here, along with the approximately 800 workers these two companies employ in their headquarters here. In April, we lost Toyota's headquarters and eventually about 3,000 jobs to Texas. And in 2006, we lost Nissan and about 1,300 jobs to Tennessee. We simply cannot afford to lose anymore California-based automotive headquarters to other states without irreparable revenue and job loss damage to, and a rapid exodus of, many of our automotive suppliers, designers and other automotive industry support infrastructure.

Accordingly, the LAEDC urges ARB to adopt the negotiated IVM5 framework, as outlined and scheduled, which would provide the IVM5 coalition members with the requisite clarity and certainty they need to continue to cost-effectively service and hire in the entire California market, while helping to meet California's ambitious vehicle emissions mandates. Without such an agreement there is a very real risk that the five auto makers could experience negative impacts on their market activities in California, which could certainly affect employment and future business investment decisions, such as whether to be headquartered here.

For all of the above reasons, we respectfully ask ARB to adopt the negotiated framework with the five medium-sized automobile companies, ensuring the ZEV Regulation's cost-effective implementation and maximizing its environmental and economic co-benefits in a way that facilitates job creation, strengthens our state and regional economies, and continues to significantly lead the way in improving not just the state's, but the world's environment.

Sincerely,

Bill Allen
President & CEO
LAEDC

cc: California Governor Jerry Brown
Kish Rajan, Director, Governor's Office of Business and Economic Development
Members of the California Air Resources Board
Richard Corey, California Air Resources Board