



December 7, 2020

California Air Resources Board

Post Office Box 2815
Sacramento, CA 95812

RE: Disproportionate Reduction in HVIP Funding for Class 4 / Vehicles

Dear Chair Nichols and Members of the Board:

Thank you for this opportunity to provide comments on the **Proposed Fiscal Year 2020-21 Funding Plan for Clean Transportation Incentives**. Phoenix Motorcars is a leading manufacturer of medium-duty all-electric buses and trucks, with our headquarters and manufacturing location based in Ontario, California. We thank you for your leadership in establishing California as the leader in zero emission transportation and for the continued investments supporting fleets transition to clean fuels.

We stand in full support of CARB's zero-emission transportation goals. However, we have concerns on the revised HVIP incentive funding levels proposed. In particular, we would like to address the disproportionate reduction in HVIP funding proposed for Class 4 Zero Emission Vehicles under the HVIP program.

As demonstrated in the table below, the reduction in incentives for Class 4 vehicles is significantly higher than all the other weight classes. The base HVIP incentive for Class 4 & 5 zero-emission vehicles has been reduced by 25%, significantly impacting our efforts with various end-use segments deploying vehicles in this class including Transit Agencies, Airport Shuttles, University & Campus Shuttles and various Truck applications.

	2019 - 20 Funding	2020 - 21 Funding	Reduction %
Class 3	\$50,000	\$45,000	10%
Class 4/ 5	\$80,000	\$60,000	25%
Class 6	\$90,000	\$85,000	6%
Class 7	\$95,000	\$85,000	11%
Class 8	\$150,000	\$150,000	0%

Putting Disadvantaged Communities (DAC) at a Disadvantage: Further, the proposed plus-up for disadvantaged communities at 10% of the base incentive reflects a 27% drop in incentives available for customers and fleets domiciled in the most disadvantaged communities in our State.



Class 4 / 5 HVIP for DAC	2019 - 20	2020 - 21	Reduction %
HVIP Base Incentive	\$80,000	\$60,000	25%
Disadvantaged Community (DAC) Plus-Up	\$10,000	10% (\$6,000)	40%
Total DAC Incentive	\$90,000	\$66,000	27%

Direct Impact on the Fleets Mandated to Switch to Zero Emission Alternatives: The CARB Zero-Emission Airport Shuttle Regulation and Innovative Clean Transit Regulation primarily require both segments to switch to zero emission buses over the next few years. Both of these segments heavily rely on Class 4 shuttle buses with almost all airport shuttles operating cutaway shuttles and many transit agencies operating their dial-a-ride, micro-transit and paratransit services on Class-4 cutaway shuttles. In this new post-COVID environment, we have also seen a significant drop in operations of larger transit buses, and a step up in the smaller class 4/5 size vehicles. The disproportionate reduction in HVIP funding for Class 4 / 5 zero-emission vehicles does not align with CARB mandates for these specific fleet segments.

Even with the additional plus-ups for specific user segments, the reduction impacts the months of planning which has been put in by various fleets to deploy new zero emission vehicles. Efforts from state purchasing collectives like the California Association for Coordinated Transportation (CALACT) and the Morongo Basin Transit Authority (MBTA) to offer electric alternatives to traditional gas-powered shuttle buses will also be impacted. Please refer attached supporting letter.

Impact on Order Backlog: Since the HVIP program paused and stopped taking new applications in late 2019, we have secured tens of orders from Airport Parking companies, Cities, Campuses and University customers. Budgets for all these deployments were approved by the respective entities with the expectation of similar funding as available in the previous years. This sharp reduction only for Class 4 zero-emission vehicles will significantly impact the viability of these projects, and potentially present order and project cancellations, and at least serious delays while city councils and upper management reassess their prospective projects to electrification.

While we strive to reduce the cost of our vehicles and offer a remunerative Total Cost of Ownership for our fleet customers, the electric versions have an upfront cost as much as 2 – 3 times the cost of their gasoline / CNG equivalents. The applicability of the Zero Emission Powertrain regulation further increases the cost burden on the electric variants. The point of sales incentive like the HVIP program is critical to enabling fleets switch to battery electric options.



For the above reasons, we recommend CARB to review the revised incentive amounts, particularly for the Class 4 / 5 segment, where the reduction is anywhere from 25 – 27%, as compared to around 10% or less for all the other weight classes. By passing the revised funding plan with the current reductions for medium duty shuttle buses and trucks, CARB makes internal combustion engines and “business as usual” a more likely scenario for many fleets. Phoenix Motorcars shares CARB’s goal to reduce emissions from transportation. We urge the Board to reconsider the proposed funding levels for Class 4 vehicles, so we can continue to make progress in deploying zero emission shuttles and trucks.

Thank you for the opportunity to provide feedback and we look forward to continuing to work with staff and stakeholders in support of California’s clean air and climate goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Jose Paul", with a stylized flourish at the end.

Jose Paul
Vice President – Business Development & Marketing
Phoenix Motorcars

Attached: Letter of support from California Association for Coordinated Transportation (CALACT) and the Morongo Basin Transit Authority (MBTA)

CC Clerk of the Board, California Air Resources Board
Andrea Morgan, Lead Staff, California Air Resources Board
Lisa Macumber, Manager, California Air Resources Board
Tarah Campi, HVIP Program Manager, CALSTART



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4632 Duckhorn Drive
Sacramento, CA 94583

California Air Resources Board
Attn: Chair, Mary Nichols
1001 I Street, #2828
Sacramento, CA 95814

December 7, 2020

To Whom It May Concern,

This letter is to show the full support of the California Association for Coordinated Transportation (CALACT) and the Morongo Basin Transit Authority (MBTA) to Phoenix Motorcars as an HVIP Eligible Electric Vehicle Manufacturer. Phoenix has informed us that the HVIP funding amounts for Class 4 EV's has been proposed to have a significant drop in funding per vehicle, much greater than any other class.

CALACT and MBTA has spent over two years working with Manufacturers like Phoenix Motorcars to put together a solid statewide procurement contract for Class 4 Electric Shuttles, and help to spread the adoption of zero emission vehicles by municipalities and transit agencies across California.

If the proposed drop in funding per vehicle is implemented, we stand to lose many new projects and assistance to help members purchase zero emission vehicles that will clean the air quality and lower emissions with products like the Phoenix Motorcars Z400 Electric Shuttle and other electric shuttles. We kindly ask that you reconsider the funding amount per vehicle for Class 4 vehicles, a huge segment, and a gateway to allow transit agencies to green their fleet and meet the state mandates in this Post-COVID environment. California is the center for the spread of electrification, and we urge HVIP to help support Class 4 EV's and make our statewide procurement contract a success and a template for furthering EV adoption across the U.S.

Thank you for your time and consideration of our request. If you need any additional information or have questions please email me at jacklyn@calact.org.

Sincerely,

A handwritten signature in black ink that reads "Jacklyn Montgomery". The signature is fluid and cursive.

Jacklyn Montgomery
Executive Director
CALACT