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November 19, 2008

Ms. Mary Nichols, Chair
California Air Resources Board
1001 I Street, 2nd Floor
Sacramento, California 95814

**RE: Agenda Item 08-10-2 - AB 32 Scoping Plan
Vehicle “Feebate” Program**

Dear Ms. Nichols:

The Consumer Federation of California urges the California Air Resources Board to adopt a schedule of “feebates” based on emissions for passenger cars and light duty trucks as an element of its mandate under AB 1493 (Pavley) and AB 32 (Nunez). Feebates provide the dual benefit of cleaning our air and making non-polluting energy efficient vehicles more affordable to California consumers.

Polluter fees are an appropriate mechanism to create disincentives for activities that contribute to greenhouse gas or smog causing emissions, with these fees used for enforcement and to provide incentives for activities that reduce greenhouse gas and smog emissions.

A feebate program would impose surcharges on purchases of passenger cars and light duty trucks that pollute at levels that cause the greatest net increase in greenhouse gases, and would use these fees to provide rebates for purchases of zero or near zero emission vehicles. CFC endorsed a recent proposal that called for the establishment of fees and rebates in a series of bands, based on the amount of global warming emissions caused or eliminated by each new vehicle sold. Under this proposal, many vehicles would fall in the midrange of emissions, and would not qualify for either a fee or a rebate. Excessive polluters would generate the greatest fee and the cleanest vehicles would qualify for the greatest rebate. The proposal called for maximum fees and rebates not to exceed \$2500 per vehicle. The Air Resources Board should consider this approach in crafting a feebate program.

A feebate program should include certain accountability measures. These include:

- Safeguards to make sure that the rebates are directed to permanent residents of California. This could be achieved by requiring that a person reside in our state for a reasonable period of time such as one year before qualifying for a rebate; and by providing a partial rebate at the time of vehicle purchase, along with an additional rebate check when the vehicle is re-registered in California for the second year. Rebates to businesses that purchase vehicles should require that the vehicles be used predominantly in our state. Without these requirements, individuals or businesses could abuse the rebate program by establishing a brief residency in California, and pocketing the rebate checks, with no intent to use the vehicle in our state.
- Fees should not unfairly punish lower income Californians, many of whom already have high transportation costs due to the lack of public transit throughout the state. While many lower income Californians are not purchasers of new vehicles, we believe the Air Resources Board should investigate the vehicle market to make sure that non-fee incurring inexpensive vehicles are available for consumers of modest means in any feebate program that it establishes.

A feebate program with these safeguards will advance the goal of reducing greenhouse gas emissions while making low emitting vehicles more affordable to all Californians. As the pool of new vehicles sold in California changes to include a higher percentage of low emitting vehicles, these vehicles will work their way into the used vehicle marketplace. Within a couple of years, residents of limited income will have better options for purchasing “clean” used vehicles.

We look forward to providing our input as the California Air Resources Board develops its feebate proposals. We appreciate the opportunity to provide these comments.

Sincerely,



Richard Holober
Executive Director