



California New Car Dealers Association

August 1, 2008

Mr. Chuck Shulock
Assistant Executive Officer
Office of Climate Change
Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: CNCDA Comments on CARB Draft Climate Change Scoping Plan

Dear Mr. Shulock:

The California New Car Dealers Association (CNCDA) is a statewide trade association which represents the interests of over 1,350 franchised new car and truck dealer members. CNCDA members are primarily engaged in the retail sale of new and used motor vehicles but also engage in automotive service, mechanical and collision repair, and parts sales. We are writing on behalf of our dealer members to provide comments relative to the draft Scoping Plan.

Since AB 32 passed in 2006, CNCDA has attended several workshops and meetings with dozens of ARB staffers on issues ranging from “cool paints” to tire pressure inflation. We have found ARB staff to be dedicated to combating global warming, but receptive to industry concerns and working to minimize any negative impacts upon the economy. We applaud the efforts of ARB staff in creating the Scoping Plan, but have specific concerns with a couple of proposals. The Scoping Plan proposes two contingency “backfill” plans that ARB is considering for implementation if the EPA fails to waive Clean Air Act preemption of the Pavley greenhouse gas (GHG) tailpipe standards. Although we fully expect the EPA to grant ARB’s waiver request early next year, we find the two backfill strategies troubling. Both backfill plans target new vehicles instead of the entire fleet and would prove devastating to the new car industry, which makes up 21% of California’s retail economy and supplies the new vehicles needed to clean the air of toxics and criteria pollutants, and further reduce mobile source GHG emissions.

Our specific comments on the plan are as follows:

1. **Certification:** Page 20 of the Scoping Plan mentions, as a Pavley backfill, a potential requirement that manufacturers achieve equivalent GHG emissions reductions as a condition of having vehicles certified as compliant with California’s toxic and criteria pollutant emission requirements. Although the details are threadbare at this time, we have fundamental concerns with any such proposal.

First, new car dealers are independent businessmen and women who may only sell new vehicles from manufacturers with which they hold a franchise agreement. For instance, a franchised Honda dealer may only sell new Honda vehicles, and may not sell new Ford or Toyota vehicles. If Honda failed to achieve the requisite GHG emission reductions under the Pavley fallback proposal, and ARB refused to certify Honda vehicles as a result, all Honda dealers would be prohibited from selling new vehicles. This prohibition would take effect despite the fact that the dealership has absolutely no control over manufacturer compliance. This would be devastating to the local economy surrounding each of the affected dealerships (which employ, on average, 100 employees each).

Second, California vehicles are certified to meet stringent standards for toxic and smog-forming compound emissions. California relies on the sale of such vehicles to replace the existing fleet and comply with State Implementation Plan emission reduction requirements. GHG emissions, while significantly harmful, are not directly regulated by the Federal Government, and do not pose an imminent health risk to exposed populations in the same manner as smog and toxic emissions. Refusing to allow manufacturers to sell cleaner new vehicles in California due to their failure to meet GHG emission reduction mandates will only exacerbate the current air quality problems—putting both our health and federal transportation funding at risk. This amounts to throwing the baby out with the bathwater.

2. **Feebates:** Pages 20 and 37 discuss the potential use of a “feebates” program to encourage the purchase of more-efficient new vehicles and discourage the purchase of less-efficient new vehicles as a means of reducing GHG emissions from new vehicles. We understand that this proposal will only be considered for implementation in the event that EPA fails to grant the waiver and prohibits ARB from implementing the Pavley GHG tailpipe regulations. We have significant concerns with the use of feebates as a means to affect a vehicle purchaser’s decision-making.

First, feebates only affect only the sales of new vehicles. New vehicles offered for sale in California are the cleanest in the world and achieve better fuel economy than most used vehicles. Slapping a surcharge on new trucks and SUVs will encourage consumers to buy or continue driving used vehicles that emit higher amounts of GHG. A \$2,500 surcharge on a new SUV will act as huge incentive to continue driving an older vehicle, or to buy an older model of the same vehicle.

Second, the state legislature has examined and twice rejected the idea of implementing a feebate program in California. After considering A.B. 493 (Ruskin) in 2007, the legislature refused to pass the bill. When it was brought up again this year, the bill again failed. California’s elected officials have taken a look at the benefits and costs of a feebate strategy and rejected such programs. By implementing a feebate strategy by regulation, ARB would be directly contradicting the will of California’s democratically elected legislators and implementing a feebate program by fiat.

Third, in today’s market, a large, bureaucratic feebate program would be impracticable to manage in a revenue neutral manner. With gasoline prices averaging over \$4.30 per gallon, consumers are already flocking to hybrids and other fuel efficient vehicles. When A.B. 493 was proposed only a few months ago, the author and leading environmental scientists released a draft plan that included specific dollar amounts for surcharges and rebates assigned to several vehicles, based upon market predictions at the time. For instance, the purchaser of a Dodge Ram Pickup was to be assessed a \$2,500 surcharge, while the purchaser of a Honda Civic was to receive a \$2,266 rebate. The plan, which was to be “revenue neutral,” did not foresee the radical change in the market. California Dodge Ram sales, for instance, have dropped 41% compared with the first half of last year, while Honda Civic sales have increased 7%. Overall, California light duty truck and SUV sales—which would fund any rebates provided by the program—have decreased 28.3%. If implemented as drafted for this year’s sales, the feebate program would be bankrupt.

3. **Alternative Emission Reduction Measures:** Health and Safety Code Section 38590 mandates that ARB achieve GHG emission reductions from mobile sources at least as great as would be realized under the Pavley regulations. These reductions are not required to come solely from new vehicles. In the unlikely event that the Pavley regulations are not implemented, we believe that ARB should seek reductions in a manner that will affect the continuing behavior of *all* drivers—not merely the purchasing decisions made by future drivers of today’s newest and cleanest vehicles. Over the past year, increased fuel prices have significantly reduced both vehicle miles travelled and the use and sales

of large inefficient vehicles. By focusing on fuel prices through the implementation of a carbon fee, ARB can achieve large GHG emission reductions, spread across the entire 25 million vehicle fleet, which will lead to the behavioral changes necessary to achieve a less carbon-intense future in California.

Thank you for the opportunity to comment on this issue—we look forward to continuing to work with you and your staff to address these concerns. Should you or your staff have any questions or comments, please do not hesitate to contact me at (916) 441-2599.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Jonathan Morrison', with a long horizontal line extending to the right.

Jonathan Morrison
Staff Counsel