

Opinion: Pull the plug on EV subsidies

By Larry Weitzman

California is a great place to live. Hundreds of miles of grand, majestic mountains and picturesque beaches sandwich a central valley that has proven to be the fruit and vegetable basket of the United States. When you couple that with about the best, most temperate and diverse climate in the world (it brought us Hollywood), it's no wonder we are the most populous state in the union.



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But California has become known as the left coast, full of do-gooders thinking they know what's best for you and me. Our leftist Legislature recently passed a huge gasoline tax and extended the ridiculous cap and trade system (more taxes) until 2030 all to the detriment of everyone in the state as gasoline prices which were already the highest in the lower 48 states will even go higher. Right now, they are averaging about half a dollar higher than most other states and in some cases prices are a dollar a gallon more.

California will amass billions of dollars from these new tax revenues. Assemblyman Phil Ting, a 48-year-old Democrat who represents the 19th Assembly District which encompasses the western part of San Francisco and parts of San Mateo County and is a UC Berkeley, Harvard School of (big) Government

alumni, has an idea how to give away at least \$3 billion of these new taxes. Need I say more. His idea has already passed the California Assembly and is now in the state Senate.

Section 1 of the bill makes several declarations, most of which are false including paragraph (m) which states, "Battery technology is improving faster than expected and electric vehicles are expected to reach cost parity with conventional alternatives in the mid-2020s." Battery technology or chemistry is basically the same as it was 10 years ago. Costs may have come down, but it remains to be seen how much further they will fall and recent studies have shown that the cost of batteries would have to fall by about 75 percent from today's prices to reach that goal of cost parity and that's not considering the other issues with batteries of range and refueling. Other battery prices have actually gone up whether they are conventional car batteries or Duracells.

But here is what the crux of the bill does. Federal EV subsidies of a \$7,500 tax credit expire after 200,000 units of a model are produced by a phase out program cutting the tax credit in half for six months, to a quarter for an additional six months and then nothing. Tesla has claimed that the new Model 3, which has started production, has over 380,000 orders, so many buyers will not get federal subsidies. Even its Model S is closing in on the phase out of subsidies.

Ting proposes in his bill to not only continue with those subsidies in the form of rebates which are direct payments to the EV purchaser (instead of a tax credit), but to increase the rebate to the extent to equalize the cost of an EV when compared to a similar conventional model. That could amount to rebates to each EV customer in the tens of thousands of dollars. For example, if a Tesla Model 3 costs \$50,000 with equipment and an equivalent Mazda 3 costs \$25,000, the purchaser of the Model 3 would get a check from the state in the amount of \$25,000. Considering that the average price of a Model S is about \$110,000 and an equivalent comparable

luxury car is \$30,000 less than the state would pay to the Tesla buyer \$30,000. Tesla buyers currently have an average annual income according to a research firm of \$320,000. Talk about a transfer of wealth from the working poor to the rich, this takes the cake.

In another unintended consequence not thought of by the brilliant Mr. Ting of the Harvard School of (big) Government is that EV prices will go up. If the state is going to make up the difference, the manufacturers would be crazy not to increase its prices. Tesla is losing \$16,000 per car currently. Why not at least make up the difference so they can stay in business? GM sells its Chevy Bolt EV from anywhere from about \$35,000 to \$41,000 and they are losing money on every car. Now they can raise their price and stop the bleeding.

The bill also says that these incentives will help the state achieve the sales of 1.5 million EVs in California alone by 2025. At current sales rates, they might be lucky to achieve a third of that number. And GM recently reported some distressing news about Chevy Bolt sales. They are not. GM recently shut down the Bolt plant because inventories are now at 111 days. And the Bolt is a real EV with a range of over 200 miles and performance that will send it to 60 mph from a standstill in under 8 seconds (Tesla Model 3 claims the same level of performance). And this is a car you can already buy for \$35,000 and get \$10,000 in federal and state tax credits right now. It remains to be seen just how many Tesla Model 3 customers there really are. The deposits are supposedly refundable.

A study done by UC Berkeley about 15 years ago said that for automobile drivers to give up their conventional car in place of an EV, it would take a payment to the customer of \$28,000 and be given the EV for free. That study might still be true as almost all Tesla buyers have another conventional motor vehicle.

Tesla stock has taken some hits recently. It loses money on every car it sells. AB1184 looks more like an attempted bailout of Tesla, than a bill to save the planet which it won't. The planet doesn't need saving; however, humans do from their stupidity and attempts to meddle in markets, economics and human nature.

Larry Weitzman is a resident of Rescue.