



**ZERO EMISSION
TRANSPORTATION
ASSOCIATION**

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The Zero Emission Transportation Association (ZETA) is an industry-backed coalition of 60 member companies advocating for 100% electric vehicle (EV) sales by 2030. We appreciate the opportunity to comment on Federal Rulemaking Amendments to the FAR Buy American Act Requirements Docket No. FAR-2021-0008, Sequence No. 1 (July 30, 2021). ZETA thanks the Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA) for prioritizing United States (U.S.) workers and manufacturing. At the same time, we urge you to consider the need to decarbonize the federal government's transportation fleet. We look forward to working with you to ensure a future where on-road pollution and greenhouse gas (GHG) emissions are dramatically reduced, American workers are manufacturing and driving electric vehicles, and the U.S. is once again a global auto industry leader.

Introduction

The original intent of federal Buy American standards was to increase domestic sourcing of materials needed in manufacturing, the broader application of these rules are not as well suited for certain manufactured goods, especially technologically sophisticated goods. In the case of electric vehicles (EVs) and electric vehicle charging equipment (EVSE), for instance, the aggressive application of Buy American standards will significantly increase the federal government's costs without delivering broader commercial benefits, while also making President Biden's climate and fleet electrification goals more difficult to achieve. Delayed application of these standards, on the other hand, will give manufacturer's time to adjust their supply chains, help the federal government reduce its carbon footprint, and save taxpayer dollars.

If Buy American standards are applied too quickly, manufacturers will respond by creating products designed exclusively for the federal government - product lines entirely separate from their private sector offerings. Specialty products made for the federal market will not only be more expensive. They will also do little to create the economies of scale that might otherwise reduce product prices for EVs and EVSE across all market segments. Indeed, the same will likely be true for many other carbon reducing technologies.

The proposed changes may achieve its intended goal for simple products, but it will likely miss the mark for technologically advanced products with thousands of components and subcomponents. We recommend that the federal government implement a temporary waiver or exemption for commercial off-the-shelf (COTS) and domestically assembled manufactured goods that contribute to the government's larger decarbonization goals. EVs and EVSE would be obvious candidates for such a waiver.

Requests for Feedback

1) Increased Domestic Content Thresholds: Do products you make or sell to the Federal Government currently meet the proposed increased domestic content thresholds of 60 percent, 65 percent, or 75 percent?

The proposed domestic content requirements would make it difficult for most ZETA members to sell EV and EVSE production, even a 60% threshold limits the abilities of ZETA's members to sell EVs and EVSE to the federal government, and 75% is far above the existing federal transit threshold.

EVs and EVSE include semiconductors, electrical casing, battery materials, specialty cabling, power modules, computer components and subcomponents, displays, printed circuit boards, and more. A significant percentage of these supply chain subcomponents are not currently available in the U.S., making it impossible to meet these proposed content requirements on the rulemaking's proposed timeline. EV and EVSE manufacturers may eventually be able to meet a 60% threshold, but longer timelines will be needed to get there.

ZETA's members do not control their suppliers. They can communicate the federal government's domestic content requirements, but they cannot force their suppliers to invest in new domestic manufacturing facilities. Furthermore, the federal market is not large enough to incentivise leading EVs and EVSE is not currently large enough to incentivize leading supply chain providers to relocate. As the federal government market for EVs and EVSE grows, that may change. However, for some subcomponents like displays, printed circuit boards, semiconductors, and similar, EV and EVSE demand may never be large enough for suppliers to justify moving

their manufacturing base to the U.S. In the meantime, these rules would prevent the U.S. government from procuring mainstream, innovative products through a competitive market.

(6) Content Reporting: Will the proposed requirement to report on the actual level of domestic content included in designated critical products sold to the Federal Government provide greater compliance with Made in America Laws? Why or why not?

A strict domestic content requirement should not be applied to COTS products. Applying a requirement of this nature to EVs and EVSE in particular will require a great deal of time and money, making them more expensive for companies and the federal government alike.

To create a competitive EV and EVSE domestic market that creates good-paying U.S. jobs, the focus of the rule should be on domestic assembly, not domestic content. The proposed content restrictions will not only lead to increased prices but could also produce oligopolies for federal procurement—smaller companies will struggle to match the prices of market leaders.

Accordingly, ZETA recommends providing domestic content waivers to EVs and EVSE manufacturers until they can fully meet this requirement. This would still achieve the goal of creating jobs while reducing costs and emissions for the federal government. Once the federal government's demand for EVs and EVSE grows to a significant and predictable size, the industry can pivot toward higher domestic sourcing of raw materials and components.

Unlike public transit, where the Federal Transit Administration (FTA) largely dictates the market for transit vehicles, the federal government does not have much influence over the market for non-defense vehicles of nearly every class. Moreover, unlike the transit bus market, EVs are not produced to highly specialized needs of individual purchase orders. An overly restrictive rule on domestic content will limit options for the federal government to meet operational needs from EVs and component manufacturers. Rather than achieving the intended outcome of spurring domestic manufacturing, this policy is more likely to limit the options and capabilities of EVs from which federal agency procurement offices can choose.

Having a separate set of domestic content rules would create two supply chains for manufacturers—one for commercial consumers and one for the federal government. There are 600,000 vehicles, including 200,000 passenger vehicles, in the federal fleet, compared to nearly 300 million domestically registered passenger vehicles alone. While the federal government leases most of its fleet, there are 17 million new vehicles purchased every year in the U.S.¹ The domestic content requirements contemplated by President Biden's Executive Order would lead to the production of vehicles exclusively for that smaller market, vehicles that would be uncompetitive in the commercial market. As a result, this policy would not foster the growth of

¹ <https://www.gsa.gov/policy-regulations/policy/vehicle-management-policy/vehicle-management-library>

the domestic manufacturing base for transportation solutions; rather, it would result in federal fleet vehicles that are less innovative, less reliable, and more expensive.

(7) Contracting with small and disadvantaged businesses: What specific steps should the Federal Government consider to maximize opportunities for small and disadvantaged businesses and avoid unintended barriers to entry as it works to strengthen the impact of Made in America Laws, diversify domestic supplier bases, and create new opportunities for U.S. firms and workers?

The federal government should implement waivers or an exemption for EV and EVSE manufacturers for the FAR Act's Buy American requirements at least until the upstream supply chain is more robust. The challenges that larger companies face are magnified for smaller companies. The swift localization of the supply chain will impact smaller, disadvantaged companies that may not be able to adapt to such strict restrictions in a timely manner.

Implementing a waiver or exemption will ensure that the federal government can reduce its emissions and support domestic manufacturing without implementing a mandate that would foreclose the possibility of any competitive contracts with the nation's best EV manufacturers. An increased market share or production volume will help create a reliable supply chain, but EV and EVSE manufacturers have not met that market share or volume threshold. Once the upstream supply chain is stable, a gradual ramp up of domestic content requirements might be appropriate.

Thank you for the opportunity to submit comments on this rulemaking. ZETA and our members look forward to continued collaboration to ensure a zero-carbon future for the federal government.

Sincerely,



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