

President Biden's Vow to Replace the Entire U.S. Government Vehicle Fleet With American-Made Electric Vehicles Portends Huge Opportunities for the Market

On January 25, 2021, President Biden vowed to replace the U.S. Government's entire fleet of cars, trucks, and SUVs with electric vehicles assembled in the United States. He made this declaration while signing an Executive Order ("EO") that would expand the "Buy American" Act. The EO is intended to close loopholes in the "Buy American" Act, which allow key automotive components, like engines, steel and glass, to be manufactured abroad for vehicles considered "American made." The EO aims to increase purchases of products made in the United States.

The President's vow represents a huge opportunity for U.S. auto manufacturers and those that provide supporting technology for electric vehicle travel, such as manufacturers of charging stations. As of 2019, the U.S. Government had more than **645,000 vehicles** in its fleet. Of those, about 224,000 were passenger vehicles and 412,000 were trucks. Those vehicles traveled 4.5 billion miles in 2019, consuming 375 million gallons of gasoline and diesel fuel, according to the General Services Administration ("GSA"). The U.S. Government spent \$4.4 billion on federal vehicle costs in 2019. Yet, as of July 2020, only about 4,000 vehicles in the Government's fleet were electric, leaving over 640,000 vehicles to be replaced.

One of the biggest agencies to benefit from this announcement is the United States Postal Service ("USPS"). Hundreds of the USPS's mail trucks, which are currently manufactured by Northrop Grumman, have been under intense scrutiny for safety concerns because hundreds of them have caught fire over the last several years. While the USPS launched a plan to overhaul its fleet back in 2015, that program has not made much progress. While the plan was to complete the entire overhaul last year, even the process for selecting the next-generation mail truck is still ongoing. The lack of progress has forced the USPS to keep its current trucks in service well past their expected life span, even though they were introduced in the late 1980s and early 1990s, and lack many key features, such as air conditioning (a critical, if not necessary, feature for postal employees in many parts of the country). President Biden's announcement will allow the USPS to benefit from the larger government overhaul.

While electric vehicle sales has grown exponentially over the last decade, it still only accounts for about 2% of all automobiles sold in the United States. President Biden's announcement is likely to spur a boom in the electrical vehicle industry to meet the demand for 645,000 electric vehicles—not just the vehicles themselves but all supporting technology for deploying such vehicles. However, this announcement comes with its own challenges. For example, the utility companies will face demand for generating higher capacity and transmission of power, putting strain on the electric grid. These may be demands that utility companies and their customers are unprepared to handle. Another major challenge is that currently there are only three U.S. auto manufacturers that have electric vehicle offerings made domestically—Tesla, General Motors, and Nissan Motors, although Ford has announced plans to do so.

Tesla is now considered the dominant U.S. manufacturer of electric vehicles. Ford and GM may not currently have a vast supply of electric vehicles to meet the Government's needs right now, but they are both investing heavily to expand their electric vehicle offerings. For example, GM has already committed to spending \$27 billion to introduce 30 electric vehicle models by 2025, and has announced plans to sell only zero-emission vehicles by 2035. There are also a growing number of newer electric vehicle entrants as well, such as Rivian, Lordstown Motors and Fisker. Rivian is expected to begin producing and delivering its electric pickup truck in July, followed by its all-electric SUV. It is also developing and assembling electric vans for Amazon.

President Biden’s announcement will also likely spur investment in newer companies to join the industry—both for the production of electric vehicles and for the technology that supports them. One of President Biden’s stated goals is to create one million new jobs in the auto sector and to “position America to be the global leader in the manufacture of electric vehicles and their input materials and parts.” Part of that goal includes a pledge to spend billions of dollars to add 550,000 electric vehicle charging stations across the country, which will likely result in investments in both established and newer companies. President Biden has also said he supports the \$7,500 federal tax credit for electric vehicles and would be open to considering new incentives to encourage car buyers to consider making the switch the electric, which would push demand from not only the Government but also from the consumer.

While President Biden did not specify a time frame for switching the Government’s fleet of vehicles to electric, he has given officials 90 days to put together a plan for doing so. But the directive will not be easy to fulfill. Many of these federal vehicles are leased, which could slow the transition depending on the contract lengths. There are other obstacles, including charging infrastructure and supply. While the details of the plan are still being worked out, the President’s order represents a huge win for the electric vehicle investments made by automakers over the last several years.

With the increase in investment and innovation in this electrical vehicle space, legal issues and challenges are likely to unfold as well. Some in the industry, such as Tesla, have made their patented technology open to the public in a larger effort to move the auto industry towards electric and to create an ecosystem whereby consumers and manufacturers benefit from more accessible technology. But not all of the industry has chosen this path. And even with patents made available for public use, litigation over trade secrets, contract disputes, and the like is abound to increase as companies vie to create electric vehicles and supporting equipment that stand out from others.

If you have any questions about the issues addressed in this Client Alert, or if you would like a copy of any of the materials we reference, please do not hesitate to contact us:

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