



October 11, 2006

Federal Trade Commission
William Blumenthal
Officer of the General Council
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: TRUTH IN ADVERTISING COMPLAINT – Ford’s Flex Fuel Farce

This letter is a complaint filed with the FTC against Ford Motor Company for violating of 15 U.S.C. § 2, The Federal Trade Commission Act, for deceptive advertising of the 2006 Ford Taurus and Ford’s other Flex Fuel Vehicles (FFVs). Public Citizen requests that the FTC order Ford to stop deceptively marketing its entire line of FFVs, publish corrective advertising, and sanction Ford for deceptive advertising.

Ford is aggressively yet deceptively advertising its line of FFVs in order to manipulate the CAFE credit loophole for FFVs. Under the CAFE program, manufacturers are allotted credits for FFVs under a fictional assumption that the vehicles use gasoline 50 percent of the time and a mixture of 85 percent ethanol and 15 percent unleaded gasoline (E85), 50 percent of the time. As this letter explains, the vast majority of these vehicles never use a drop of E85.

As Ford is aware, FFVs generally use E85 less than one percent of the time, due to factors such as lack of supply distribution.¹ Of the 176,000 gas stations in the country, only 676 sold E85 as of June 30, 2006.² The automobile industry is aware of this discrepancy but still readily sells tens of thousands of FFVs in markets where few or no E85 fueling stations are available to the public. For example, the Energy Information Administration (EIA) estimates that 40,200 FFV cars and light trucks will be sold in New England in 2006,³ even though there are zero E85 fueling stations open to the public in the area.⁴ The EIA also estimates that 110,700 FFVs will be sold in the Middle Atlantic

¹ Don MacKenzie, et al., Fuel Economy Fraud: Closing the Loopholes That Increase U.S. Oil Dependence, Aug., 2005, at 23, *available at* http://www.ucsusa.org/assets/documents/clean_vehicles/Executive_Summary_Final.pdf.

² See http://www.eere.energy.gov/afdc/infrastructure/station_counts.html, attached as Appendix 1.

³ See Energy Information Administration Annual Energy Outlook 2006 with Projections to 2030, available at <http://www.eia.doe.gov/oiaf/aeo/index.html>.

⁴ See U.S. Department of Energy summary of available E85 fueling stations, available at http://www.eere.energy.gov/afdc/infrastructure/station_counts.html.

(22 E85 stations), 80,500 FFVs will be sold in the West South Central Region (24 E85 stations), and 123,100 FFVs will be sold in the Pacific (10 E85 stations).⁵ Clearly, the vast majority of these vehicles will run exclusively on gasoline.

Ford's deceptive advertisements of FFVs mislead consumers to believe that FFVs can and will run on E85. For example, Ford advertises FFVs in nine states⁶ that have zero fuel stations that sell E85 and in an additional 12 states⁷ that contain 5 or fewer fuel stations that sell E85.⁸ More specifically, Ford has a contract with the state of Louisiana for Taurus FFVs⁹ even though there is not a single E85 station in the state. Obviously, Ford is marketing and selling FFVs that will never run on E85 fuel under the guise that FFVs generally run on E85. Indeed, Ford admitted in a June 28, 2006 letter to Congress that "[r]ight now, there are 170,000 gas stations in the United States, but only about 700 E85 pumps."¹⁰ Ford does not include this critical information in its advertisements, which are thus deceptive and misleading through omission.

Despite these facts, Ford claims in deceptive advertisements that it is "reducing America's dependence on foreign oil," in part "by producing 250,000 ethanol vehicles this year."¹¹ However, since only one percent of those vehicles are likely to actually run using E85, approximately 247,500 of those vehicles will run using gasoline. The claim regarding reducing oil dependence is clearly erroneous. The truth is that dual fuel credits actually *increased* petroleum consumption by hundreds of millions of gallons over the past decade and *increased* greenhouse gas emissions by millions of metric tons.¹² Credits awarded this year alone to all manufacturers will result in added gasoline consumption of about 2.5 billion gallons over the lifetime of model year 2004 vehicles – that translates to 11 days worth of U.S. oil imports from all OPEC countries. Ford's increased production of FFVs will only compound this problem. Any savings in oil by FFV users will be vastly outweighed by the increased fuel consumption created by Ford's use of FFV fuel economy credit to lower its corporate average fuel economy.

⁵ See chart comparing EIA Annual Energy Outlook 2006 with U.S. Department of Energy summary of available E85 fueling stations, attached as Appendix 2.

⁶ Alaska, Arkansas, Connecticut, Delaware, Hawaii, Louisiana, New Hampshire, New Jersey and Rhode Island (See U.S. Department of Energy summary of available E85 fueling stations, available at http://www.eere.energy.gov/afdc/infrastructure/station_counts.html).

⁷ Idaho, Mississippi, Montana, New Mexico, Oklahoma, Oregon, Tennessee, Utah, Virginia, Washington, West Virginia, and Wyoming. (See U.S. Department of Energy summary of available E85 fueling stations, available at http://www.eere.energy.gov/afdc/infrastructure/station_counts.html).

⁸ See https://www.fleet.ford.com/showroom/environmental_vehicles/default.asp, attached as Appendix 3 (Select FFV models not available only in CA, NY, MA, ME and VT).

⁹ See October 5, 2005 memorandum and attached contract from Denise Lee to All State Agencies and Political Subdivisions, memorandum available at <http://www.state.la.us/osp/AgencyCenter/Memos/Memos-2006/OSP06-03.pdf>; contract available at <http://www.state.la.us/OSP/Contracts/vehicles/docs/ALTFUEL.pdf>.

¹⁰ June 28, 2006 letter from DaimlerChrysler, Ford, and General Motors to Members of Congress, available at http://media.ford.com/pdf/Flex_Fuel_Letter.pdf.

¹¹ See Ford's recent print advertisements, attached as Appendix 4, available at <http://www.globalgiants.com/archives/000123.html>.

¹² See *Report to Congress: Effects of the Alternative Motor Fuels Act CAFE Incentives Policy*, Department of Transportation, Environmental Protection Agency, and Department of Energy, March 2002, at 42 (Table V-4).

Consumers are the victims of Fords misleading advertisements. Any consumer acting reasonably under the circumstances would believe that an FFV can and will operate on E85 fuel. Ford's advertising that its FFVs are "green vehicles," which can operate on E85 and support Ford's efforts to reduce their dependence on oil is clearly material to consumers' decisions to purchase an FFV. Ford's behavior is especially outrageous because the company continues to laud the dual-fuel utility of its FFVs, although Ford knows the majority of its vehicles will never operate as advertised on alternative fuel. Further, consumer complaints reveal that Ford Taurus FFVs do not operate properly when using E85, particular in starting the vehicle. Ford's deceptive advertisements manipulate consumers to purchase FFVs under the false assumptions that they are contributing to an environmental program and a greener America and these Ford FFVs will operate effectively using E85.

In fact, consumers are really just being duped into participating in a scheme that maximizes Ford's profits at the expense of the environment Ford deceptively claims to protect. While it is true that Ford is selling millions of FFVs, it is equally certain that the most of those vehicles will run primarily on gasoline. Even though E85 fuel will not be used in the vast majority of those FFVs, Ford deceptively claims that E85 "reduces the United States' dependence on imported oil."¹³ Therefore, the FTC should require Ford to pull its advertisements immediately, publish corrective advertising, and sanction Ford for deceptive advertising.

Please respond in writing to this complaint and also alert us to any agency proceedings on our requests to order Ford to stop deceptively advertising its fleet of FFVs in markets where E85 is not readily available to consumers, publish corrective advertising, and to sanction Ford for its willfully deceptive actions. Thank you very much for your time and attention to this complaint.

Sincerely,

Joan Claybrook
President

¹³ https://www.fleet.ford.com/showroom/environmental_vehicles/default.asp, attached as Appendix 5.