November 12, 2008

The Honorable Nancy Pelosi
Office of the Speaker
U.S. House of Representatives

The Honorable Harry Reid
Office of the Majority Leader
U.S. Senate

Dear Speaker Pelosi and Majority Leader Reid:

The auto industry is coming to Congress again, still in significant distress, looking for an additional $25 billion in direct loans on top of the$25 billion in loan guarantees that were appropriated in September. You have asked the Treasury Secretary, Henry Paulson to "review the feasibility . . . of providing temporary assistance to the automobile industry during the current financial crisis." Regardless of who handles this, the American people need reassurance that any additional public investment in this industry will realize benefits. For these reasons we ask that if additional money is provided it be conditioned on clear requirements and accountability for the industry. Public Citizen requests particular consideration of:

- *Equity*. In exchange for the taxpayer's investment, automakers must strive to increase fuel economy across their entire fleet of vehicles. Automakers receiving additional loans should show plans to achieve fleet fuel economy of 40 mpg by 2020. This will pay dividends in reduced oil consumption, less consumer money spent on gasoline, and at the same time this will improve the domestic auto industry's competitiveness. The industry should show good faith in this effort by issuing stock warrants, and limit executive pay and bonuses.

- *Environment.* Congress should enact S. 2555, allowing California and 13 other States to enforce greenhouse gas emissions standards that are more stringent than the fuel economy standards required by the Energy Independence and Security Act (EISA). This is a necessary step toward reducing greenhouse gas emissions from motor vehicles, and will further encourage the industry towards cleaner vehicles. Congress should also extend the hybrid electric vehicle tax credit by raising the cap and extending the time to stimulate consumers to purchase the vehicles that will bring them back, while at the same time, making the biggest impact.

- *Truth-in-testing.* The National Highway Traffic Safety Administration (NHTSA) must adopt the more realistic calculations for fuel economy standards, issued by EPA in December 2006 for compliance with fuel economy standards.[1] The fuel economy of diesel vehicles should be measured on an energy-equivalent basis to account for the inherent properties of diesel fuel.

- *Safety*. Automakers must not be permitted to use their financial situation or the new fuel economy standards as an excuse to undercut basic crashworthiness technologies, or ask for extended phase-in periods for new technologies like electronic stability control and side airbags.

[1] *See* 71 Fed. Reg. 77872, 77969. (December 27, 2006).

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The Department of Energy released its Interim Final Rule regarding the loan guarantees authorized under EISA. We acknowledge that the regulations were developed quickly to expedite the dispersal of funds; however, DOE held meetings with representatives from the auto industry, but not a single representative from the consumer or environmental community. The same must not happen in this case. Congress must insure that the taxpayers' interest is served by the investment it makes in an industry that has shown contempt for consumers for decades.

The domestic manufacturers have claimed that they are financially strained by fuel economy regulations, but if they do not move quickly to catch up, they will not survive at all. Investing in the vehicles and technologies that will reduce oil consumption and reduce greenhouse gas emissions will help to sustain domestic auto industry jobs. This will help with the burden of retirees as well, because the more active employees these companies can keep at work, the more likely they will be to keep their promises to their retired workers.

We are deeply concerned that these loans are taxpayer money and should not be used to merely dismantle the domestic industry and send everyone home. The path to recovery is paved with long-term strategies that go towards producing vehicles that are functional and efficient. Detroit needs to take a hard look at itself and produce innovative, efficient vehicles that achieve the efficiency consumers need to weather volatile gas prices. That was a lesson the industry should have learned in 1988, when instead of investing in efficient technology, it larded new vehicles with excessive power and accessories that the market can no longer sustain.

The financial problems facing domestic manufacturers are largely a result of their failure to adapt to a changing market and their risky reliance on gas guzzling vehicles. Before the American taxpayers come again to the rescue, the industry should show American taxpayers that they have a plan to make the best use of this money to deliver fuel economy that consumers want and need and regain a prominent position in the global automobile market.

Sincerely,

Joan Claybrook
President, Public Citizen