July 11, 2019

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

We write you today to thank you and your administration for your strong stance on reforming federal fuel mandates contained in the Corporate Average Fuel Economy (CAFE) program. The undersigned organizations urge your administration to press forward fully with the pro-consumer proposed rule from last year and ignore calls to capitulate to threats from the State of California.

Last month you received a letter from most major automakers urging you to go back to California and cut a deal, no matter how terrible, with their overly aggressive regulators. While it is understandable that the automakers fear disruption and want California to retain the power that the Obama administration handed it, you should not cave to this pressure. In an ideal world, perhaps California would negotiate in good faith, but that is not a reality in the current political climate.

Your efforts to reform this mandate will save consumers money, preserve their choices, and ensure that the federal government, and not a single state, sets national policy.

<u>The existing mandate makes cars more expensive</u>. To meet the mandate, automakers often have to sell smaller, less desirable cars at a discount, while increasing prices on larger, more popular cars, crossovers, SUVs, and trucks. This will get worse over time as the mandate becomes even more severe. In short, because of the mandate, those consumers who prefer trucks, SUVs, or crossovers pay more to subsidize those who buy smaller vehicles or electric vehicles.

According to the National Auto Dealers Association, the existing mandates would cause the price of an average vehicle to increase by $3,000 in 2025. The Heritage Foundation concluded that repealing the mandate would save car buyers in 2025 at least $7,200 per vehicle.

This significant increase in the average price of a car or truck is a very real regressive tax on American families that makes consumers poorer and the economy weaker.

<u>The existing mandate minimizes consumer choice</u>. Consumer demand for the types of cars required under the current California preferred mandate is low, and these cars cost more – in many cases, significantly more – than other vehicles. Because automakers must sell increasing numbers of these cars to consumers nationwide

despite the higher costs and low demand, and because fuel economy standards apply not to individual vehicles but to fleets nationwide, the limited choices imposed by California are felt by all consumers – including consumers in states that choose not to adopt California's regulations.

<u>The existing mandate gives California a disproportionate say</u>. Under the Obama administration, California was given the ability to set the mandate for the entire nation. The automakers agreed to this because they wanted to avoid having to potentially comply with two different mandates and because the Obama administration had just given them a hefty bailout.

If there is to be one national fuel standard, it makes more sense for that standard to be set by the federal government and not by one state government. Indeed, the enabling legislation for CAFE explicitly bars states from setting regulations relating to fuel economy. Reversing course now would leave California with the power to dictate regulations to the rest of the country.

<u>Rewarding California for its intransigence will encourage more overreach</u>. Backtracking now in the face of California's unreasonable demands would be detrimental to many of the wider goals of this administration. One of the greatest successes of the past several years has been the taming of the out of control regulatory state. This restraint has helped give us the current booming economy. Yet California has been at the forefront opposing nearly every major regulatory reform this administration has sought. This reflexive hostility to prosperity should not be encouraged.

<u>The argument from the automakers is mistaken</u>. California's unlawful power to regulate fuel economy is the very source of the market instability they seek to avoid. As the current controversy shows, whenever California doesn't get its way, it threatens to sue the federal government to establish separate fuel economy requirements, subjecting automakers to the threat of a balkanized marketplace. The solution is exactly what the Trump administration proposes: determine through a joint EPA-Department of Transportation rulemaking that federal law prohibits states from regulating fuel economy.

Ultimately, reforming the CAFE mandates is not about doing a favor for automakers, it is about helping average American consumers and restoring the proper balance between the states.

The fundamental question associated with the CAFE mandate is clear: who should decide which cars and trucks consumers can buy – consumers and their families, or unelected bureaucrats in Sacramento? The current mandate compels automakers to design vehicles to meet the preferences of regulators, not consumers.

Your administration's proposed rulemaking goes a long way to correcting that imbalance. We urge you to stay the course.

Sincerely,

Tom Pyle
American Energy Alliance

Phil Kerpen
American Commitment

Rick Manning
Americans for Limited Government

Grover Norquist
Americans for Tax Reform

David T. Stevenson
Caesar Rodney Institute

Ryan Ellis
Center for a Free Economy

Andrew F. Quinlan
Center for Freedom and Prosperity

Jeffery Mazzella
Center for Individual Freedom

Isaac Orr
Center of the American Experiment

Thomas Schatz
Citizens Against Government Waste

Mark Mathis
Clear Energy Alliance

Craig Rucker
Committee for a Constructive Tomorrow

Myron Ebell
Competitive Enterprise Institute

Matthew Kandrach
Consumer Action For A Strong Economy

Craig Richardson
E&E Legal Institute

Mandy Gunasekara
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Annette Meeks
Freedom Foundation of Minnesota

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George Landrith
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Amy Oliver Cooke
Independence Institute

Andrew Langer
Institute for Liberty

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John Locke Foundation

Brett Healy
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Jason Hayes
Mackinac Center for Public Policy

Jameson Taylor, Ph.D.
Mississippi Center for Public Policy

Harry Alford
National Black Chamber of Commerce

Paul J. Gessing
Rio Grande Foundation

David Williams
Taxpayers Protection Alliance

AMERICAN COMMITMENT

Americans for Limited Government

AMERICANS for TAX REFORM

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CFIF
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CENTER OF THE AMERICAN EXPERIMENT

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