

Congress of the United States
Washington, DC 20515

November 21, 2006

The President
The White House
Washington, DC 20500

Dear Mr. President,

As you know, in our home state of Michigan - the heart of the automotive industry - automobile sector dependent jobs make up almost 22 percent of the state's workforce. Given the importance of this industry to Michigan, we are pleased that you met with the Chief Executive Officers of Ford Motor Company, General Motors and the Chrysler Group on Tuesday, November 14. We hope this meeting is the beginning of an ongoing dialogue on the federal issues of importance to this vital sector of the American economy.

We believe that your comments, "our markets are open for your products, and we expect your markets to be open for ours, including our automobiles," reflect the type of approach on which we can build as we discuss the specifics of international trade policy.

We wanted to take this opportunity to reiterate those issues on which we as a bipartisan delegation agree there needs to be more vigorous federal action.

Trade

The American automobile manufacturers are not asking for favorable treatment in the international marketplace. They are asking for fair treatment. Unfortunately, this is not the case in today's worldwide marketplace, and the United States government must take aggressive action to level the playing field.

- *Currency manipulation*- For the past six years Japan, Korea, and China have used the international currency markets to subsidize their products while simultaneously making American products more expensive. All three countries have embarked on programs of persistent, large-scale interventions in currency markets that have directly resulted in the loss of thousands of American jobs.

Japan in particular has spent \$450 billion to drive up the cost of dollars and drive down the value of the Yen. This \$450 billion subsidy has resulted in a per-car discount of between \$3,000 and \$10,000, depending on the model. The timing and size of these large-scale currency interventions regularly coincide with the loss of market share and large-scale layoffs at American automakers. It has also slowed production at plants in the

United States owned by Japanese and Korean companies, since it becomes cheaper to export from the home country rather than build in America.

- *Korean Free Trade Agreement (FTA)*- Since it began exporting cars, Korea has taken advantage of open markets overseas, while keeping their domestic market free of international pressure. Less than 3 percent of all the vehicles on Korean roads are imports, contrasted with approximately 40 percent in the United States. In 2005, Korea exported 800,000 vehicles to the United States. The United States, however, was limited to exporting only 4,000 vehicles to Korea.

There are numerous tax and non-tariff barriers that inhibit Korea's importation of automobiles. Yet these barriers are only the tip of the iceberg. Korean owners of foreign vehicles are subject to audits and tax investigations. Imported cars have unique recycling, emissions, and safety requirements not required of Korean cars. They also have unique bumper standards, tinted window regulations, license plates, and noise level standards that must be adhered to. These non-tariff barriers must be changed during the negotiation of an FTA, and we must have a measurable way to judge Korean implementation of any agreed to provisions if this agreement is to gain our support.

- *Trade enforcement*- The WTO and our various trade agreements all have dispute resolution procedures that need to be used more vigorously and effectively including through the addition of a full-time trade prosecutor, within USTR, who will advocate for American workers and American business when countries close their markets to our products.

Healthcare Costs

Spiraling health care costs are placing our industry and America's manufacturing base at a serious competitive disadvantage. Currently, the domestic automobile industry provides healthcare benefits to over 2 million Americans at an annual cost of nearly \$10 billion.

- *Health Information Technologies*- Increased investment in health information technology can lead to a more efficient system, thus reducing healthcare costs.
- *Catastrophic Healthcare* - The care of a small percentage of the population makes up the bulk of healthcare costs. We need to examine ways to address these catastrophic healthcare costs in a manner that will significantly reduce the overall cost of healthcare for our manufacturers.
- *Generic Prescription Drugs* – The cost of brand-name prescription drugs continues to rise so that middle-class Americans are no longer able to afford them. The federal government should be encouraging the increased use of generic equivalents as an alternative that would save hundreds of millions in healthcare costs.

Advanced Automotive Technologies

In your State of the Union address, you stressed the importance of reducing our nation's dependence on foreign oil. We encourage you to continue supporting efforts to make that laudable goal a reality.

- *Infrastructure for alternative fuels*- Currently, there are more than six million flexible fuel vehicles on the road that are capable of running on E85. By 2012, our domestic automobile industry has committed to having half their annual production line capable of running on E85. Around the country, private sector investors and communities are committing to new production plants that will significantly increase the amount of ethanol available to these vehicles. However, there is one critical barrier to the use of flexible fuel vehicles: the lack of fueling stations that provide E85. Currently less than one percent of fueling stations around the country offer E85. We need significant steps to spur the development of the necessary E85 infrastructure, including a commitment from the oil industry to cooperate in the installation of new pumps around the country.
- *Renewables*- To reduce our dependence on oil, we need aggressive efforts to ensure the availability of renewable sources of fuel, including ethanol, biofuels, and hydrogen. We urge the Administration to include significant funding for research and development of these sources in its fiscal year 2008 budget request and to work toward the expansion of renewable fuels, including through support of initiatives like 25 x '25, an effort supported by the domestic automobile industry and agriculture and forestry groups to get 25 percent of the nation's energy from renewable fuels by 2025.
- *Incentives for advanced technologies*- We urge the Administration's continued strong support for efforts to develop breakthrough automotive technologies that offer potential for significant oil savings and reduced emissions and encourage the Administration's continued support for tax incentives, grants and other measures to spur the domestic production and commercialization of advanced technology vehicles.

Finally, we caution against granting one country, such as Thailand, privileged access to critical segments of the United States automotive market if that country can be used by third-country automobile producers who restrict our access as a backdoor into the United States market. We also need more vigilant enforcement and prosecution of intellectual property rights infringement and counterfeiting in auto parts and other sectors. Lastly, we encourage you to support programs such as the American Competitiveness Initiative, the Manufacturing Extension Partnership, and the Advanced Technology Program.

Again, Mr. President, we stress that we do not want, nor does the domestic automobile industry need, a bailout. Quite simply, we would like to find ways, as a bipartisan delegation, to work with your Administration to ensure that American manufacturing companies are competing on a level playing field where we are confident they can succeed.

We look forward to working as a bipartisan delegation with your Administration on these and other proposals that would benefit the domestic manufacturing industry.



Carl Levin
U.S. Senator



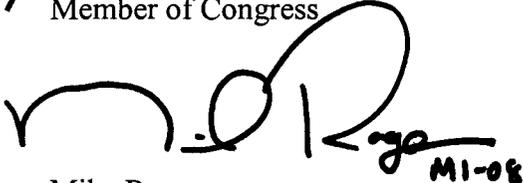
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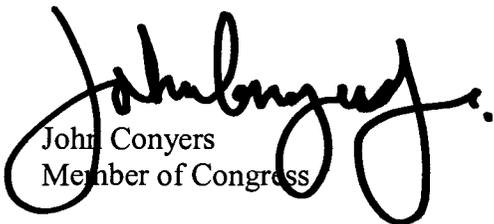
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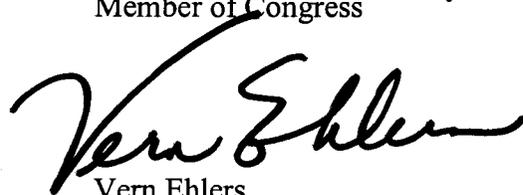
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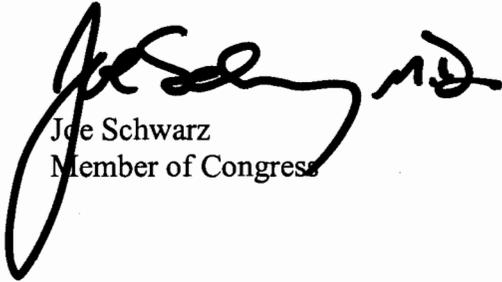
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