

May 10, 2018

The Honorable Donald J. Trump  
President  
The White House  
Washington, DC

Dear Mr. President:

As members of your presidential transition team, we write to thank you for the tremendous progress that America has made under your leadership. As a continuation of that progress, we encourage you to stay the course on needed and essential reforms to the federal automobile mandate, more commonly known as the Corporate Average Fuel Economy (CAFE) program.

We understand that some in the automaker community have expressed concerns about your current plans to reform the program. But it is worth noting that early in your presidency, these same automakers urged your administration to “reconsider imposing such a far-reaching mandate on an entire industry” and were greatly concerned that the existing mandate, which you are attempting to reform, “could cause up to 1.1 million Americans to lose jobs due to lost vehicle sales.”

Their main concern is the expected legal battle with California. Led by Governor Jerry Brown and Attorney General Xavier Becerra, the state intends to sue your administration over the necessary changes to the existing mandate – a mandate they not only support, but also seek to extend even further through 2030. In fact, what many liberal California politicians really want to do is ban gasoline-powered cars altogether, as evidenced by a bill before the California legislature to ban all gas- and diesel-powered cars by 2040.

You should dismiss this concern. We agree that in an ideal world, California would negotiate with you in good faith, but we all know that is not a reality in this current political climate.

Your efforts to reform this mandate are about cost, consumer choice, and whether or not your administration or the State of California gets to set a national policy.

The existing mandate makes cars more expensive. 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.

According to the National Auto Dealers Association, the existing mandates under the mandate 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.

These significant increases in the average price of a car or truck are a very real regressive tax on American families that make consumers poorer and the economy weaker.

The existing mandate minimizes consumer choice. 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 additional costs of these vehicles are borne by all consumers – including consumers in States that choose not to adopt California’s regulations.

The existing mandate gives California a disproportionate say. 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 they had just been given a hefty bailout by the Obama Administration.

If there is to be one national standard, it makes more sense for that standard to be set by the federal government and not by one state government. But that is what is likely to happen if you change direction now.

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

Thank you again for your leadership on this important issue. We stand ready to help you in all of your efforts.

Sincerely,

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President, Institute for Energy Research

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