

March 31, 2009

The Honorable Barack Obama
The President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

RE: Supporting Car Sales, Opposing Vehicle Scrappage Programs

Dear Mr. President:

The Specialty Equipment Market Association (SEMA) applauds the recent initiatives to rebuild the U.S. auto industry. SEMA supports the concept of government-issued vouchers toward the purchase of fuel-efficient new vehicles which will aid consumers while helping the automakers and dealerships succeed. However, SEMA strongly opposes tying these vouchers to vehicle scrappage programs, known as “cash for clunkers.” Because this policy will have a significant negative impact on our member businesses and their customers, we respectfully request prompt consultation with advisors from the Auto Task Force to discuss alternative approaches.

Vehicle scrappage programs accelerate the demise of older vehicles, which are then typically crushed into blocks of metal. Program supporters focus on a car's age or fuel efficiency rating rather than its actual emissions or how much it is driven. SEMA has consistently warned against wasting billions of taxpayer dollars on a program that may produce an artificial spike in sales, but does not reduce emissions or increase fuel efficiency.

To follow are just a few of the many reasons we *oppose* scrappage programs:

- **Denies Vouchers to Most New Car Buyers:** Millions of consumers who may be eager and able to purchase a new car will be denied a voucher since they don't have an eligible older car to trade.
- **Targets Consumers Who May Not Be Able to Afford A New Car:** Vehicle scrappage programs target a narrow group of potential buyers, many of whom may be lured into buying a new car without having calculated other new car costs (loan payments, increased insurance payments, depreciated car value, etc.). Conversely, the programs destroy perfectly good used cars.
- **Negative Impact on Small Businesses:** By spending billions to scrap used cars, scrappage programs will impact the business opportunities of independent aftermarket shops that rely

SEMA represents the \$38.1 billion specialty automotive industry. Founded in 1963, the trade association has 7,358 member companies. It is the authoritative source of research data, trends and market growth information for automakers and the specialty auto products industry. The industry provides appearance, performance, comfort, convenience and technology products for passenger cars, minivans, trucks, SUVs, crossovers and recreational vehicles.

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on older cars to repair, restore and accessorize. The vast majority of these shops are small businesses. It would be counterproductive to undermine this segment of the market at a time when the federal government is trying to help small businesses stimulate the national economy.

- **Increased Prices for Used Cars & Parts:** Many consumers are purchasing used cars during these uncertain times. Used car prices have risen in response to supply and demand pressures. Scrappage programs will force prices higher by unnecessarily reducing the supply of used cars. Auto restoration, customization and repair shops nationwide will suffer with the loss of older cars, trucks and parts they need to supply and service their customers.
- **Hurts Low-Income Citizens:** Vehicles are frequently recycled down the economic chain as they age. Scrappage programs will disrupt the supply of used cars, raising prices further on the very vehicles most often purchased by low-income citizens.
- **Not Eco-Friendly:** While supporters tout a similar German program as evidence of success, the European Federation for Transport and the Environment, (the pan-European federation of environmental groups), has urged Germany and other countries to abandon scrappage subsidies because they do more environmental harm than good by artificially accelerating the car life cycle (producing, dismantling, recycling, etc.).
- **Carbon Footprint:** Scrappage programs do not calculate CO2 emissions expended to manufacture a new car. Approximately 15-20% of a car's emissions may be produced during its manufacture. For example, a CNW Research study estimated that it took the energy equivalent of 1,000 gallons of gasoline to make the fuel-efficient Toyota Prius.
- **U.S. Taxpayers Would Be Paying for Rarely Used Older Cars:** Someone who owns just *one* older car does not normally purchase a new car. However, people who own two or three cars may take advantage of the taxpayer give-away. Many of these cars are infrequently driven, if at all, so destroying them will not clean the nation's air or make us less dependent on foreign oil.
- **Unverified Claims:** Vehicle scrappage supporters make optimistic claims about fuel savings and environmental protections that will not be subject to real-world verification or enforcement. For example, legislative proposals under consideration in Congress would let a consumer scrap an older car that gets the same or even better mileage than the new car.
- **Destroys Our National Heritage:** Scrappage programs risk the indiscriminate destruction of valuable cars and trucks. America's automotive and industrial heritage deserves protection.

Solutions

- **Resume Auto Financing:** Vehicle sales have fallen because of low consumer confidence, fear of job loss and lack of financing, even for people ready to buy. Scrappage programs do not solve these root problems. ***Solution:*** SEMA supports the Administration's commitment to restoring new-car consumer and business financing.
- **Provide Tax Deduction for Interest Payments:** The economic stimulus bill included a sales-tax deduction estimated to produce 100,000 additional sales this year. ***Solution:*** Congress should now pass a law to allow consumers to deduct car loan interest payments on their federal taxes, which should produce another 300,000 or more sales.

- **Consider Providing Vouchers to Everyone:** Vehicle scrappage programs *restrict* car sales since the consumer must own an older car to participate. ***Solution:*** Provide a voucher to anyone who wants to buy a new fuel-efficient car.
- **Include Used Cars:** Most dealerships sell used cars as well as new cars. Meanwhile, many consumers want to upgrade their vehicles but are unable to afford a new car. ***Solution:*** Provide a modest voucher to anyone who wants to buy a newer and more fuel-efficient used car.
- **Stop Tying Vouchers to Scrapped Vehicles:** Scrappage programs are not cost-effective and do not achieve verifiable fuel economy or air quality benefits. ***Solution:*** Focus on incentives to buy new and better-used cars. Leave the valuable and affordable older cars available to those who need and appreciate them.

Scrappage programs hurt thousands of independent repair shops, auto restorers, customizers and their customers across the country. This industry provides thousands of American jobs and generates millions of dollars in local, state and federal tax revenues. We encourage you to help the entire auto industry with programs that focus the incentive where it counts – on the purchase of new vehicles and not destroying older cars. SEMA stands ready to assist in achieving this goal and we would be pleased to meet with advisors from the Auto Task Force to discuss alternative approaches.

Sincerely,



Christopher J. Kersting
President & CEO
Specialty Equipment Market Association (SEMA)

cc: The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable Nancy Pelosi
The Honorable John Boehner
The Honorable Carl Levin (Congressional Auto Caucus)
The Honorable George Voinovich (Congressional Auto Caucus)
The Honorable Dale Kildee (Congressional Auto Caucus)
The Honorable Fred Upton (Congressional Auto Caucus)
Brian Deese, Special Assistant to the President on the Auto Industry