Good afternoon Mr. Chairman and members of the Committee. I'm Rick Wagoner, Chairman and Chief Executive Officer of General Motors. Thank you for the opportunity to speak to you today about how GM plans to meet this century's growing demand for both energy and new products in the transportation sector.
We not only plan to meet demand for our products, but to do it while lessening our dependence on oil and the automobile's impact on the environment.

For us, it's a matter of business necessity. Let me explain.

Since 2001, a series of geopolitical, natural, and economic realities—from extraordinary economic growth in China and India, to regional conflicts in the Middle East, to population growth, global climate change, and natural disasters in the Gulf of Mexico—have combined to drive home the fact that we face an increasingly uncertain energy future on a global basis.

Our conclusion, going forward, is that it is unlikely that oil alone is going to supply all of the world's rapidly growing automotive energy requirements. As a global automaker--and also the nation's bestselling automaker--it's against this backdrop that me must operate, build and sell cars and trucks that meet a variety of consumer needs.

This means Mr. Chairman that the time has come for all of us to change our thinking—and our perspectives--on how to address energy security and climate change. I would hope that all of us can agree that we cannot limit our selves to the same discussions and same solutions that have occupied our time and resources over the last few decades to little avail.

As we see it at GM, the key to truly addressing energy security and climate change in a meaningful way is energy diversity. GM has a strong commitment to advanced technology, alternate energy sources and alternate propulsion systems that is taking shape across our product line up. We believe this approach will help us displace substantial quantities of oil that are consumed by U.S. vehicles and reduce emissions.

This is a tall order. But, it's also an extraordinary opportunity.

By developing alternative sources of energy and propulsion, we have the chance to mitigate many of the issues surrounding energy availability.

We must continue to improve the efficiency of the internal combustion engine. Today, GM builds sells 23 vehicles that get 30 mpg, or better—more than any other automaker. For many of our full-size products—indispensible to many families and others who are the backbone of our economy—our products are fuel economy leaders in their respective segments. Continued improvements in technologies like active fuel management and variable transmissions will help us retain this leadership.

We also need to dramatically intensify our efforts to displace petroleum-based fuels by building more vehicles that run on alternative fuels and by significantly expanding and accelerating our commitment to the development of electrically driven vehicles.

First let me speak about biofuels. Last year, we committed to double our production of vehicles capable of running on renewable fuels by 2010. We also went a step further and plan to make fully half of our annual vehicle production biofuel-capable by 2012 -- provided there is ample availability and distribution of E-85. But as you know, flex-fuel vehicles alone will not get the job done. So, we are also partnering with government, fuel providers, and fuel retailers to help grow the E-85 ethanol fueling station infrastructure. Over the last two years, these partnerships have added _____E-85 pumps around the country.

The potential of biofuels to significantly displace petroleum is within our grasp today. The vehicles are on the road and with a continued push to grow biofuel production and distribution, we can make a difference quickly.

But, there is an equally compelling story for the future of our products – the continued electrification of the automobile.

Let me cover briefly the range of technologies we're pursuing on this front.

For 2007, GM has available the Saturn Vue Green Line -- and we will be introducing four additional hybrids later this year – the Saturn Aura Green Line , the Chevrolet Malibu Hybrid, and the Chevrolet Tahoe and GMC Yukon with GM's two-mode hybrid system—the only American designed and built hybrid system in the market.

Another variant of the hybrid is the so called "plug-in hybrid" -- which will be a conventional hybrid vehicle with a much more advanced battery capable of storing substantially more energy.

Currently, we are working on the engineering of two different systems for plug-in hybrids – one taken form our current Saturn Vue hybrid and the other unveiled as the Chevrolet Volt at the auto show in Detroit.

Mr. Chairman, you and others have seen the Volt and know it is a showcase for GM's E-flex architecture—a system that uses an electric motor to drive the wheels and a small, conventional gas engine or other energy source to power an on-board battery to extend its range.

Our development of plug-in hybrids, fuel cells, and the E-flex architecture--and its ability to use diverse energy sources—we believe will, in the words of one member, render "miles per gallon" an archaic measurement.

However, given what we know today, it will be a challenge to develop the battery technology to let us bring to market a plug-in hybrid that will meet the expectations and real-world performance standards that our customers expect -- things like safety, reliability, durability, driving range, recharge time, and affordability.

We are a few years away from achieving this advanced battery technology. But I do not believe the challenge is insurmountable. Certainly, government can help the industry's progress on this front and fund a major effort to increase advanced battery R&D and develop U.S. production of these batteries. Such a focus would be comparable to other countries such as Japan and Korea who have identified advanced batteries as a critical, competitive technology.

Having focused on advanced technology vehicles and renewable fuels as "the answer" to displacing and diversifying U.S. fuel sources – let me share my view on what is not the answer.

Our continued over-reliance on CAFE is not the answer to U.S. oil dependence. Now, don't misunderstand what I am saying here. We agree with the need to reduce the Nation's dependence on petroleum – and we are committed to doing our part. But despite dramatic increases in vehicle and fleet fuel economy over the 30 year existence of the CAFE program, its original goals – reducing U.S. gasoline consumption and oil imports – are not being met.

Fundamentally, the CAFE requirements affect only one of the four factors that drive U.S. light duty gasoline consumption -- 1) purchasing decisions of American consumers - sales mix, 2) total vehicle miles traveled, 3) size of the overall fleet, and finally 4) individual vehicle fuel economy. Data from the government's own Energy Information Administration shows that CAFE requirements alone cannot overcome the expected increases in petroleum demand – which are driven largely by continued increases in vehicle miles traveled and the size of the fleet.

We understand, of course, that increasing vehicle fuel economy does play a role. As competitive automakers looking to win consumer purchases of vehicles in the marketplace, we look for opportunities to increase the fuel economy of our new products each time they are introduced. But many of the recent legislative proposals to increase CAFE requirements – such as the proposals to increase fuel economy requirements by 4% per year -- are not based on any realistic measure of what is technically achievable and economically practicable.

Rather than picking an arbitrary rate of increase for CAFE standards, we believe that the regulatory process at the National Highway Traffic Safety Administration (NHTSA) should be used. That way, the agency can collect and review confidential and proprietary company product plans and consider the opportunities to increase the fuel economy levels consistent with consumer needs and choices, competitive implications, vehicle and highway safety, and the impact on U.S. jobs.

In addition, before any increases are undertaken for the passenger car fleet, the agency should be given authority to establish a reformed, or attribute-based, system, similar to what was done for the light truck CAFE

system. This will help reduce the competitive disparities as well as avoid other consequences of raising fuel economy levels - like vehicle mass and size reductions that can adversely affect vehicle and highway safety.

Finally, let me briefly address another concern that I know you are wrestling with – reducing U.S. emissions of carbon dioxide. GM supports the goal of reducing CO2 emissions. We believe that addressing these emissions can be accomplished most effectively with an integrated approach that engages automakers, fuel providers, governments, and consumers. We are fully prepared to discuss the most effective ways to address carbon constraints for the U.S. economy. Vehicles will need to play a role in that discussion. In addition, we need to consider the most appropriate ways to include the other key elements of this broader debate – the carbon content of the fuels that our vehicles will use in the future and the role of the consumer – the ultimate purchaser and user of the vehicles and fuels that are available. The current CAFE program may be ill-suited to address this challenge.

Mr. Chairman, we are ready to discuss carbon constraints on the U.S. economy. We do this in part because we believe we have an array of advanced technologies that—when combined with low carbon fuels—offer the best approach to address greenhouse gas emissions.

In summary, we believe tomorrow's automobiles must be flexible enough to accommodate many different energy sources. Mr. Chairman, all of us have an opportunity before us today. We need to work together on a National energy strategy that helps promote these changes and thus more effectively addresses U.S. oil dependence and greenhouse gas emissions.

Thank you and I look forward to taking your questions.