G. Richard Wagoner, Jr.
Chairman &
Chief Executive Officer

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January 16, 2007

The Honorable Richard G. Lugar
United States Senate
Washington, D.C. 20510

Dear Senator Lugar:

I enjoyed reading the speech you delivered at Purdue University, and appreciate your recognition and support of our efforts to expand production of flexible fuel vehicles. I think we agree on many of the points you raise, and I am enclosing a copy of my remarks to the Motor Press Guild at the recent Greater Los Angles Auto Show, and a one-page overview of the Chevy Volt which we recently announced at the North American International Auto Show in Detroit.

Just as you outlined the vulnerability of the country to our current energy dependence, I outlined why developing alternatives to gasoline is a business necessity for the auto industry. My conclusion is that we must move to mitigate the issues surrounding energy availability, and key is greater energy diversity.

In particular, I highlighted what we are doing to accelerate two important trends in automotive technologies: displacing petroleum with biofuels and displacing petroleum with electricity.

On biofuels, we have over two million General Motors flex fuel vehicles (FFVs) on the road today – and nearly six million industry-wide. You noted our commitment to double production of FFVs by 2010, and recently we, along with Ford and DaimlerChrysler, announced we are ready to make half of our vehicle production FFVs by 2012, with appropriate policy incentives. Together, these announcements mean we will produce over two million FFVs and biodiesel-capable vehicles a year by 2010, which can increase to over four million a year by 2012. In my remarks, I also announced that HUMMER will become the world's first automotive brand to commit to offering biofuel capable power-trains across its entire vehicle lineup.

Taken together, we believe our announced plans will break the "chicken and egg" problem, and send the necessary signal to ethanol producers and fuel retailers that now it is time for them to similarly step up to the plate. And when they do, we will be there to partner with them. My remarks also discuss how we are partnering with governments, ethanol producers, and fuel retailers to grow the E85 infrastructure. To date, these efforts will result in over 175 E85 pumps in 11 states, including states where this will result in the first retail E85 stations.

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My remarks also focused on the electrification of the vehicle. I explained the continuum of electric vehicles from hybrids to plug-in hybrids to pure battery powered vehicles to fuel cell vehicles. I talked about our popular Saturn VUE Green Line hybrid that is on sale today. I talked about the very successful GM-Allison hybrid system for transit buses, developed and manufactured by our Allison division in Indianapolis and now in operation in over 500 transit buses at over 40 locations. The Allison system is also the basis for the "two-mode" hybrids we are developing with DaimlerChrysler and BMW that will debut later this year in the Chevrolet Tahoe and GMC Yukon. In 2008, this system will also be available in the Saturn VUE, the Cadillac Escalade, and in the full-size pickup trucks we produce in Fort Wayne.

Plug-in hybrids are also an important product technology, and I announced in Los Angeles that GM has begun work on a Saturn VUE plug-in hybrid production vehicle. The technological hurdles are real, but surmountable, and we are actively working with battery companies to develop the necessary battery technology to build the VUE plug-in.

Fuel cell vehicles remain our ultimate goal, and we have made tremendous progress with fuel cell vehicles such as the Chevy Sequel, which generates enough electricity on-board from stored hydrogen to travel 300 miles. I also announced that our upcoming fleet of 100 Chevy Equinox SUVs - the world's largest fuel cell vehicle fleet – to be located in Washington, D.C., Los Angeles, and the New York area.

I closed my remarks in Los Angeles by saying "stay tuned," and last week in Detroit I announced that GM has begun production work on E-flex, a family of electrically driven propulsion systems specifically engineered for future small- and mid-sized GM vehicles with "plug-in" capability, and the Chevy Volt concept car.

E-flex is "flexible" because the electricity it uses to drive the vehicle can come from a wide range of fuel sources. It can come from a hydrogen fuel cell; it can be generated by a small motor running on ethanol or bio-diesel or synthetic fuel; or it can come from the power grid, and be stored in a battery. And, when the electricity comes from the grid, it can be generated by natural gas, coal, nuclear power, wind, hydroelectric, and so on. E-flex creates options. It will allow GM to leverage a range of electrically driven propulsion systems, as well as benefit from the inevitability and the promise of energy diversity.

The Chevy Volt, also unveiled in Detroit, is a dynamic concept vehicle based on E-flex technology. It is a real-world example of how E-flex can be configured in an extended range electric vehicle and displace petroleum with both biofuels and electricity. It can travel 40 miles on its plug-in battery, and then it uses a small Flex Fuel internal

combustion engine powered by gasoline or E85 ethanol to recharge the onboard batteries for a range of over 600 miles.

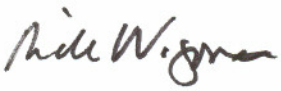
Even though battery technology is not where it needs to be, we are accelerating engineering development of the E-flex technology. This will enable us to take advantage of advances in batteries as they occur, and act to spur battery suppliers to accelerate their efforts by giving them clear targets. Just before the Detroit show, we announced two new contracts to develop advanced lithium-ion batteries here in the U.S., one with Johnson Controls – Saft Advanced Power Solutions, and another with Cobasys and A123Systems. This announcement is particularly important because we are largely shut out from accessing battery technology from Japan, and we believe that developing and manufacturing advanced batteries domestically is of critical importance to the United States

In many ways, the E-flex System and the Volt are a physical manifestation of the themes I laid out in Los Angeles: displacing petroleum with biofuels and displacing petroleum with electricity. E-flex is another big step in GM's commitment to electrically driven vehicles, but we know that technology, by itself, is of little value unless the market accepts the technology in large volume.

We also believe that this combination can be much more effective at increasing efficiency than regulatory programs that largely ignore the customer, such as CAFE. The CAFE program has not been the driver for improved fuel economy, and can only be viewed as failing to achieve its goals of reducing petroleum consumption. While we can and must continue to improve the efficiency of the internal combustion engine, we believe that national policy focused on displacing petroleum with biofuels and electricity will be much more effective over the long run.

I look forward to continuing this dialog as the new Congress takes up this important debate.

Sincerely,



G. R. Wagoner, Jr.

Enclosures