avis budget group

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August 19, 2010

Ms. Mary L. Schapiro, Chairman
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Re: File No. S7-10-09 and Release No. 34-61161

Dear Ms. Schapiro:

This letter is submitted on behalf of Avis Budget Group, Inc., a leading provider of vehicle rental services, with operations in more than 70 countries. Avis Budget is a Delaware company with headquarters in Parsippany, New Jersey and 22,000 employees. For 2009, we reported net revenues of over $5.1 billion and we currently have approximately 100 million shares outstanding.

On August 17, 2009, we submitted a letter to Ms. Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission (the "Commission"); in that letter we commented on the proposed rules regarding shareholder director nominations as the proposed changes were presented in Release No. 34-60089. As the process has moved forward since the submission of our August 2009 letter, we feel compelled to make these additional comments that are focused on the more specific issue of shareholder proxy access.

Proxy access by persons who are not vested in the long term interest of the company can be a very disruptive force. Instead of helping a company focus on its business goals and objectives, it can often be a distraction, causing the company to divert from its business purposes to focus on the special interests of a small group with an agenda other than those business purposes. In this uncertain and fragile economic recovery, such a loss of business focus could be all that is required to derail a company's efforts to retain its financial health.

In our August 2009 letter we stated that we already have a robust process "though which our stockholders can communicate with [and influence] our Board of Directors". We stated then, and repeat today, our view that the proposed changes to the shareholder proxy access rule could have the effect of "promoting a disproportionate focus on the short-term issues and results". It is a widely held belief in the business and academic communities that this type of short-term focus was a significant contributing factor to the still lingering financial crisis in America. Avoiding this type of distraction is of particular importance to Avis Budget because a number of our competitors, including the largest market share holder in our industry, are not public companies, and will not be subject to similar disruptive forces.

Avis Budget is in the vehicle rental business. The entire vehicle rental industry was facing significant financial challenges not more than a year and half ago. As an industry, managing costs and efficiently allocating each level of management's time and resources has been a significant contributing factor to our survival. The increased numbers of proxy contests that could result from a federal proxy access right, as proposed, would create significant costs to us and distract management and board attention from the creation of long-term shareholder value. The Commission has grossly underestimated the costs and resources necessary for companies to implement and contend with a proxy access regime. This is particularly true for smaller and medium-sized public companies - the time and cost to defend a proxy contest for such a company is the same as the cost to a large public company with much greater resources, meaning that smaller and medium-sized public companies will be especially disadvantaged in terms of impact on financial and management resources. Moreover, there is the additional risk that it will discourage the kind of qualified people we need to serve as corporate directors as they will not want to engage in repeated messy political campaigns.

Again, as we stated in our August 2009 letter, if the Commission nevertheless moves forward to implement the proposed proxy access rules, it must be a workable process that serves the interest of long term investors, not just special interests. In this regard, and for the following reasons, I urge the Commission to adopt at least a 5% ownership threshold and two or three year net long holding requirements:

(a) Setting a low (3%) ownership threshold would allow special interest groups, with a minimum amount of effort, to aggregate their shares to pursue their own narrow agendas, rather than the creation of long-term shareholder value. At our medium-sized company, even a 5% threshold (which today could be acquired for approximately $50 million, and substantially less if a voting rights option agreement is entered into) means that it would take a relatively small investment on the part of an activist hedge fund to obtain the necessary ownership position in order to wage a proxy contest. With the significant resources available to these short-term investors, companies of our size constantly will be at risk of having to defend the long-term interests of our shareholders against the short-term agendas of opportunistic investors. Critics of a 5% threshold as being too high ignore the concentration of ownership at the largest companies in the United States. Note for example, the commentary of the Business Roundtable in its August 17, 2009 comment letter to the Commission, in which it stated that at the fifty largest companies, the top ten shareholders hold, on average, 27% of the outstanding shares. In our particular case, the top 10 shareholders own 56% of the outstanding shares.

(b) Only shareholders that have a long-term economic interest in the company should be able to nominate directors under a proxy access regime. In this regard, shareholders should not be allowed to cheaply borrow shares to meet the eligibility threshold to nominate candidates. We note again for emphasis, that small and medium-sized public companies like ours are particularly vulnerable to being to allowing these groups who do not have an economic investment in the company to highjack the nominations process for their own political or other reasons.

In conclusion, we believe that the proposed federal proxy access rules are unnecessary on the one hand, and go too far on the other. At the very least, if the Commission believes some form of the proposed proxy access rules are required, we strongly urge the Commission to adopt the threshold and holding requirements discussed in this letter.

Thanks you for considering our comments. We would be happy to discuss our concerns or any other matters that you believe would be helpful. Please contact Jean Sera, Corporate Secretary, at (973) 496-2579 for such purpose.

Sincerely,

Ronald L. Nelson

Cc: Mr. Sandy M. Cutler
Eaton Corporation