



Consumer Federation of America

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MEDIA NOTE: Mark Cooper available June 1, 2, 3 for interviews.

CONSUMER COSTS OF MANDATING 35 MPG IN 10 YEARS ARE COMPLETELY OFFSET BY FUEL SAVINGS

FLAWED NHTSA ASSUMPTIONS PREVENT CAFE INCREASES

CONGRESSIONAL ACTION ON STRONG FUEL ECONOMY STANDARDS WILL SAVE CONSUMERS \$1000-\$1500

Washington, D.C. June 4, 2007 -- A new analysis by the Consumer Federation of America (CFA) shows that a ten mile-per-gallon improvement in the fuel economy of new vehicles achieved over ten years would pay for itself – not just over the vehicle lifetime but on a monthly basis for the majority of consumers who borrow to buy. It further concludes that the National Highway Transportation Safety Administration (NHTSA) has slowed increases in fuel efficiency standards because of flawed analyses and calls on Congress to mandate a 35 mile-per-gallon goal for Corporate Average Fuel Economy (CAFÉ).

“Our analysis proves a mandatory increase to 35 mpg in ten years passes both a consumer pocketbook test and a national cost-benefit test with flying colors,” says Dr. Mark Cooper, CFA Director of Research. “NHTSA’s flawed assumptions have prevented fuel economy improvements to date. If Congress continues to allow NHTSA to determine when and whether automakers need to improve fuel economy, we will get the same weak results.”

As the summer driving season begins with record gasoline prices and the Senate prepares to debate CAFE legislation, the report, entitled “A Consumer Pocketbook and National Cost-Benefit Analysis of Ten-in-Ten” analyzes the impact of moving from the current average of 25 mpg to 35 mpg in ten years on both the consumer’s pocketbook and the Nation’s “oil addiction.”

According to the CFA report findings, achieving 35 mpg fleet-wide benefits consumers.

- The fuel savings of more efficient cars offset any increase in the cost of the auto loan.
- Consumers can save up to \$1500 with gasoline at \$3 a gallon and nearly \$1000 with gasoline at \$2.50 a gallon.

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Going to 35 mpg in ten years also eases the nation's oil addiction. It would:

- Save over 100 billion gallons of oil over the next ten years.
- Reduce oil imports by more than 15 percent when 35 mpg is reached.
- Cut emissions of global warming, green house gases by over a half-billion tons per year.

“With gasoline bills up by more than \$1,000 per year since 2002, consumers are feeling the pain at the pump, but they also recognize the broader implications of our national oil addiction,” Cooper added. “With oil at \$60 a barrel, a half-million dollars is flowing out of our country every minute, increasing our trade deficit, creating huge opportunity costs, and most significantly, putting money into the hands of regimes that are hostile to our interests.”

“In the past, the bureaucrats who set the standard have failed to reflect reality in their analyses, and that has cost us dearly,” Cooper said. “It’s time for our elected representatives to take leadership in setting fuel economy standards.”

CFA’s analysis finds that past analyses by NHTSA have failed to recommend increases in fuel efficiency because of unrealistic and irresponsible assumptions.

- The 2005 EIA Annual Energy Outlook, on which the National Highway Safety Administration (NHTSA) model relies, appears to be based on gasoline prices that are less than \$1.50 per gallon in the next decade.
- NHTSA uses an estimate of social costs (externalities like economic burden, national security, and environmental harm) that is irresponsibly low – about at 10 to 20 cents a gallon – when the real social cost of these externalities should be ten times as high, such as \$1- \$2 per gallon.

“The current legislation is headed for another train wreck because it leaves NHTSA in charge of setting the goals,” Cooper concluded. “If Congress wants to seriously address the nation’s oil addiction, it must close the loopholes. Congress needs to take responsibility, set a mandatory goal of 35 mpg, and specify the assumptions that should be used in future cost-benefit analyses.”

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A copy of the embargoed report is available upon request from:
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CFA is a non-profit association of 300 consumer groups established in 1968 to advance the consumer interest through research, education, and advocacy.