



Consumer Federation of America

1620 I Street NW Suite 200 * Washington, DC 20006

FOR IMMEDIATE RELEASE

Contact: Jack Gillis 202-737-0766

June 28, 2011

THE CONSUMER CASE FOR STRONG FUEL ECONOMY STANDARDS

56 MPG by 2025 Works

Increasing Standards by 5% per Year Will Lower Cost of Driving, Increase Auto Sector Employment, Keep U.S. Car Companies Competitive and Reduce Our Dependence on Foreign Oil

Washington, DC -- The Consumer Federation of America is calling on the President to raise the nation's fuel economy standard to 56 mpg by 2025. After studying the consumer impact of gasoline prices for six years, CFA has concluded that requiring auto makers to increase the fuel efficiency of their vehicles by 5% per year, beginning in 2016, is both cost effective and achievable.

"Our extensive consumer surveys make it clear that the American wants more fuel efficient cars. Setting a high, but financially achievable goal, is just what consumers want," said Jack Gillis, CFA's Director of Public Affairs and author of *The Car Book*. "Not only will this standard benefit the beleaguered consumer, but it will help ensure that America car companies remain competitive both here and in the global market," said Gillis.

"56 mpg by 2025 provides the President with a road map to help consumers cope with volatile gas prices and responds to American's deep concern over our dependence on foreign oil," said Mark Cooper, CFA's Director of Research. "Setting a requirement of 56 mpg by 2025, enables car companies to gradually reach the standard that consumers want. In addition, any increase in the cost of the vehicle will be immediately offset by savings at the pump," said Cooper.

Requiring a 5% per year increase:

- Saves consumers over \$6,000 per vehicle (compared to vehicles that meet the 2016 standard);
- Doubles the fuel economy of new vehicles between 2008 and 2025;
- Cuts gasoline consumption by one-third;
- Insures U.S. car companies will be competitive in the U.S. and globally;
- Substantially reduces need for foreign oil, and
- Achieves widely accepted greenhouse gas reduction goals (40% by 2030).

A decade of analyses shows major consumer savings from higher fuel economy.

- The 5% plan (56 mpg by 2025) will provide vehicles in which the added fuel savings will exceed the added costs.
- The 5% plan is cash flow positive in the first month of ownership – the savings on gasoline exceeds any increase in monthly auto loan payments.
- The payback period is 3 years.

Consumers want more fuel efficient vehicles; 80% or more of the respondents to our recent polls:

- Are concerned about gasoline prices and dependence on Mid-East oil;
- Believe we must reduce oil consumption; and
- Support higher fuel economy standards as a way to reduce oil consumption & import dependence.

A 5% or higher scenario will not produce sticker shock.

- Sticker shock occurs with a sudden increase in price; the 5% scenario adds less than \$300 per year to vehicle costs.
- Sticker shock occurs when the price imposes a burden on the consumer, but the 5% scenario will lower the cost of driving.
- Sticker shock occurs when there are close substitutes available that cost a lot less, but all automakers will be subject to the same standard.

“The 5% solution for reaching 56 mpg by 2025 is reasonable, responsible and achievable,” said Jack Gillis, CFA’s Director of Public Affairs and author of *The Car Book*. “Technologies already exist that will enable improvements, and the automakers can incorporate them over the next 15 years,” said Gillis. “Not putting these requirements in place will severely jeopardize the U.S. automakers as they try to compete with the flood of fuel efficient imports and attempt to sell their cars globally. It is a sensible compromise between maximum economic benefit and maximum environmental benefit,” added Gillis.

“The 5% plan is an intelligent response to the significant imperfections in today’s market,” said Mark Cooper, CFA’s Director of Research. “Automakers underinvest in technology because they are risk averse and then they maximize profits by minimizing adoption of new technology and control the bundling of attributes in the models offered to the public,” said Cooper. “On the other hand, consumers have difficulty making long-term lifecycle cost-benefit calculations (even with good information), so a reasonable standard addresses both these issues,” added Cooper.

The 5% solution is a long-term, technology-neutral, product-neutral, flexible performance requirement that will enable automakers to produce what consumers need and keep costs down.

- Performance standards stimulate competition, keeping costs down and promoting product diversity.
- An attribute-based standard ensures consumers will have vehicles they want.

- The long-term approach allows gradual adjustment by automakers and consumers.

U.S. automakers need to produce more fuel efficient vehicles to be globally competitive.

- Autos built to comply with less than a 5% U.S. scenario will be difficult to sell in the EU, Japan or China because of the more stringent standards adopted in those nations.
- Higher standards yield greater sales and employment giving consumers more money to spend on better products, and thus, the replacement cycle is accelerated.

Reducing America's oil imports and consumption delivers national security benefits.

- A 5% plan saves over 20% more oil than a 4% scenario.
- Lays the foundation for achieving the goal of cutting imports by 1/3 by 2025.

For a detailed analysis of the rationale supporting 56 mpg by 2025 please see www.consumerfed.org/pdfs/CFA-56MPG-by-2025-June-28-2011.pdf

The Consumer Federation of America is a nonprofit association of nearly 300 consumer groups that, since 1968, has sought to advance the consumer interest through research, advocacy, and education.