



## Consumer Federation of America

1620 I Street, N.W., Suite 200 \* Washington, DC 20006

November 26, 2007

Atten: Vehicle Emissions Standards

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AQCB 2007-3, 20.11.104 NMAC

Joyce Medina, Board Administrator

Ms. Janice Amend

Office of the Environmental Improvement Board Albuquerque-Bernalillo County Air Quality

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Ms. Medina and Ms. Amend,

Consumer Federation of America (CFA) would like to respectfully submit public comment for the record, regarding the New Mexico Environment Department and the City of Albuquerque Environment Health Department's regulations for vehicle emissions standards (known as the "Clean Cars Program"). The hearings are scheduled for November 26-28, 2007 in Albuquerque, New Mexico. The Consumer Federation of America presents the following written comment in support of the position of the petitioners (the New Mexico Environment Department and the Albuquerque Environmental Health Department) and the Clean Air Advocacy Groups (of which CFA is a part.)

CFA's extensive analysis of the Clean Cars program leads us to conclude that the program is in the consumer interest. Consumers who purchase vehicles that are compliant with the program spend less on gasoline on a monthly basis than the increase in their monthly auto loan payment. This direct, consumer pocketbook test alone justifies the program. However, consumers also benefit indirectly from the program because reduced gasoline consumption reduces the vulnerability of the economy to price shocks, enhances national security and improves the environment. The external benefits are real and they are enjoyed by real people. The value of these benefits has been rising dramatically.

The concept of external costs and benefits is widely recognized in the social sciences.<sup>1</sup> These costs and benefit are indirect. However, if we take the concept of externalities seriously, which we should as they are real and, ultimately, real people feel the indirect effects, pay the costs and reap the benefits.

Consumption of gasoline is a major cause of pollution, emissions of global warming greenhouse gases, and a large household expenditure. Policies to require the reduction in

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<sup>1</sup> For example, introductory texts, such as John B. Taylor, Economics (Boston: Houghton Mifflin, 1998), second edition, pp. 412-425, include the topic.

emissions of pollutants and greenhouse gases will promote the reduction in the use of gasoline. Thus, an unintended, but inevitable consequence of adopting policies to reduce greenhouse gas emissions will be to reduce household expenditures on gasoline.

Many of the societal costs of burning fossil fuels result in societal expenditures which are paid for in taxes. Many analysts believe that excessive oil dependence increases the military expenditure to protect American interests in oil producing regions. The drag on the economy created by the drain of local resources out of the national economy and the vulnerability to economic disruptions as a result of huge imports of crude oil is felt across many sectors. Many of the health effects of auto emissions are felt locally. The global effects will be felt locally.

The societal benefits from reduced gasoline consumption flow indirectly to consumers. Some of these benefits, like strengthening the state economy by keeping resources within the state, will flow directly to the state. Moreover, while it is hard to tie some of these societal benefits directly to New Mexico, such as a strengthened national economy or reduced costs of defending our oil supply – they, too, will flow to New Mexico. Indeed, given that per capita gasoline consumption in New Mexico is above the national average, these indirect benefits will flow disproportionately to New Mexico.

We believe that prior analyses of the consumer benefits of the Clean Cars Program, which have generally found the program to be justified, are too low because they have undervalued the direct benefits of the program and have failed to take externalities into the cost benefit calculation.<sup>2</sup>

In short, we conclude that the California Clean Cars Program should be adopted in New Mexico because it would result in substantial economic benefits to consumers in New Mexico in addition to the environmental benefits that it provides.

Sincerely,



Mark Cooper  
Director of Research

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<sup>2</sup> Our analysis of the past evaluations can be found at [www.consumerfed.org/pdfs/CFA\\_Clean\\_Cars\\_Report.pdf](http://www.consumerfed.org/pdfs/CFA_Clean_Cars_Report.pdf) .