



Consumer Federation of America

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

**Consumers  
Union**

June 13, 2007

Dear Senator:

As the Senate debates comprehensive energy legislation (S. 1419), we write to draw your attention to two provisions of the bill that are particularly important for consumers. The bill will significantly increase fuel economy standards for all passenger vehicles, including light trucks and Sport Utility Vehicles (SUVs). Increasing the fuel efficiency of the vehicle fleet is the single most important thing Congress can do to end our nation's dangerous addiction to oil, lower consumers' gasoline bills, protect our economy from oil shocks, reduce our dependence on hostile and unstable regimes, and cut emission of gases that cause global warming.

**We urge you to support the bill's compromise fuel economy provisions and to oppose an automobile industry-supported amendment to dramatically weaken them. We also urge you to support the bill's first-ever federal prohibition on gasoline price gouging.**

**For Consumers, Meaningful CAFE Increases More than Pay for Themselves. Rural Drivers and Truck Owners Would Benefit Most of All.**

The bill's fuel economy requirements are based on a compromise agreed to by the Commerce Committee when it reported out a bill to increase Corporate Average Fuel Economy (CAFE) standards for passenger vehicles from 25 to 35 miles-per-gallon (mpg) by 2020, and by four percent a year thereafter. Research by the Consumer Federation of America (CFA) has found that this 10 mpg increase in ten years passes both a consumer pocket book test and national cost-benefit test with flying colors. This research shows that American households now spend an average of \$1,000 more per year on gasoline than they did five years ago. From the consumer point-of-view, an increase in the fuel economy of passenger vehicles to 35 mpg in ten years more than pays for itself. This is because the reduction in spending for gasoline would likely exceed any increase in the cost of a loan for a new vehicle. At \$3.00 a gallon, Americans overall would likely receive a net savings of over \$500 during a typical five-year car loan and over \$1,000 over the (ten year) life of a vehicle.<sup>1</sup>

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<sup>1</sup> Consumer Federation of America, *A Consumer Pocketbook And National Cost-Benefit Analysis Of "10 in 10", Increasing CAFE Standards 10 Miles Per Gallon Over Ten Years Will Save Consumers Money and Help Cure the National Oil Addiction*, June 2007 available at [http://www.consumerfed.org/pdfs/CFA\\_Cost-Benefit\\_Analysis\\_of\\_10\\_in\\_10\\_June\\_07.pdf](http://www.consumerfed.org/pdfs/CFA_Cost-Benefit_Analysis_of_10_in_10_June_07.pdf)

According to CFA research, Americans in rural areas are more severely affected by rising gasoline prices than in metropolitan regions. This is because rural households drive longer distances and have more vehicles, as well as older and less fuel efficient vehicles. Rural households have suffered an increase in their annual gasoline bills of almost \$1,300 in the past five years and spend a much higher proportion of their income on gasoline than households in metro areas. A CAFE increase to 35 mpg in ten years would likely net rural households almost \$1,000 in savings during a five-year loan and over \$2,000 over the (ten year) life of a vehicle.<sup>2</sup>

### **The Proposed Amendment to Weaken Mandated Fuel Economy Increases in S. 1419 Will Cut Expected Fuel Savings by More than Half**

**The auto industry is aggressively promoting an amendment that would cripple the bill's CAFE requirements.** The industry-supported amendment would reduce fuel economy increases for automobiles and light trucks by one-quarter (a 7 ½ mpg increase versus a 10 mpg increase) and increase the time automobile makers are allowed to achieve this lower standard by five years. The amendment would also extend a flexible fuel loophole that could reduce actual fuel savings by another 20 percent. The bottom line is that the amendment supported by the auto industry would achieve less than half of the fuel savings expected in S. 1419. **We strongly urge you to oppose this poison pill amendment that will do little to lower fuel consumption nationally or help reduce consumers' rising gasoline costs.**

### **Price Gouging Restrictions Will Help Protect Consumers from Price Manipulation During Energy Emergencies**

We also urge the Senate to adopt the bill's provision to establish as federal law restrictions that would forbid gasoline prices that are unconscionably excessive, or that indicate that the seller is taking unfair advantage of unusual market conditions to increase prices unreasonably. This prohibition would be triggered if the President declares a temporary national emergency because of disrupted oil supplies that constitute a danger to the country's economic welfare. The Federal Trade Commission and State Attorneys General would enforce it.

We support this measure as a first step in protecting consumers from excessive and unfair gasoline costs. America's reliance on oil and a conscious decision by oil companies to keep refining capacity exceedingly tight mean that consumers are vulnerable to price manipulation by unscrupulous merchants or wholesalers, even when relatively small market disruptions occur. Consumers are already paying record prices for gasoline every day and must be protected from unfair price spikes during energy crises. Under current anti-trust law, the federal government only has the authority to review whether oil

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<sup>2</sup> Consumer Federation of America, *Rural Households Benefit More From Increases in Fuel Economy*, June 2007.

companies are fixing prices through collusion, but cannot investigate possible market manipulation, such as artificially restricting supplies.

After Hurricane Katrina struck the Gulf Coast in 2005, gasoline prices soared as high as \$6.00 a gallon in some areas. Eight states charged retailers with price gouging after Katrina and have now reached over 100 settlements. It is time for Congress to follow the lead of approximately 30 states with anti-price gouging laws and provide this protection to consumers throughout the nation.

There are very few bills that the Senate will debate this year that are more important to consumers than S. 1419. **Anything less than the motor vehicle fuel economy standards required in the bill – already a product of compromise – would ignore the needs of the American people. As you know, many Americans have embraced fuel efficiency as a critically important step to ending the nation’s oil addiction and solving the nation’s energy problems.**

Sincerely,



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Legislative Director  
Consumer Federation of America



Sally Greenberg  
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Consumers Union