



Consumer Federation of America

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For Immediate Release
June 13, 2007

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Rural Households Hit Harder by Rising Gas Prices

*New CFA Analysis Shows Rural Consumers Have More To Gain
From Higher Fuel Economy*

Washington DC: June 13, 2007— The Consumer Federation of America (CFA) today released an economic analysis of the impact of gas prices and proposed fuel economy increases on rural households, which concludes that consumers living in rural areas are harder hit by rising gas prices and have more to gain from increases in fuel economy standards.

As Congress takes up legislation to raise fuel economy standards this week, the analysis debunks auto industry propaganda claiming rural consumers don't want more fuel efficient pick-up trucks. These vehicles, often needed by rural households, are among the most profitable models sold by the car companies. A complete copy of the report is available at www.consumerfed.org/pdfs/Rural_Benefits_of_CAFE.pdf

“Today the average rural household spends over \$2,600 a year on gas -- almost as much as they spend on food, and 20 % more than urban households,” said Mark Cooper, CFA Research Director. “The auto industry would like us to believe rural Americans don't notice trucks taking food off their tables.”

Cooper stated, “Compared to households in metropolitan areas, households living outside of metropolitan areas use much more gasoline than those in metropolitan areas.” The analysis findings include:

- Rural households are more likely to have a vehicle.
- They drive 15% more miles (28,397 v. 24,674).
- They get 6% fewer miles per gallon (19.70 v. 20.91).
- They consume 21% more gasoline per year (1,437 v. 1,180).
- They spend 20% more on gasoline (\$2,683 v. \$2,239).
- Trucks get 30% fewer miles per gallon (16.2 v. 22).
- Trucks are kept on the road 11% longer (10.1 years v. 9 years).

As a result of these differences, the CFA analysis shows that the burden of recent increases in gasoline prices falls heavier on rural households than non-rural households.

- Rural households have suffered an increase in their gasoline bills of almost \$1,300 in the past five years, compared to urban households who have experienced an increase of about \$1,000.

- Because rural households have lower incomes in addition to higher gasoline expenditures, the burden of rising gasoline prices is heightened. Urban households have seen gasoline expenditures increase from about 2.4% of income to about 3.5%; for rural households the increase has been from about 3.3% to about 5.4%.

In the CFA report, Cooper calculated a direct consumer pocketbook test for vehicles getting 35 miles per gallon. Since most households take out auto loans to finance their purchase of new vehicles, the net monthly bill for loan payments plus the cost of gasoline is shown below.

For Vehicles Achieving 35 MPG, Rural Households Save Twice as Much		
	All Households	Rural Households
Loan Payment Increase	\$1,909	\$1,909
Life of Loan (5 years)		
Fuel Cost Savings	\$2,487	\$2,984
Net Savings	\$578	\$1,075
Life of Vehicle (10 years)		
Fuel Cost Savings	\$3,480	\$4,176
Net Savings	\$991	\$2,267

Assumptions: \$3 per gallon, constant real dollars; 5-year, 7% loan, an average \$1,600 per vehicle to achieve 35 mpg. Rural household gasoline expenditures exceed urban households by 20%.

Cooper goes on to say, “We find that fuel efficiency pays for itself, since the reduction in gasoline expenditures is greater than the increase in monthly loan payments. Furthermore, savings for rural households are likely to be twice as large as those for urban households, and the longer the household holds onto the car, the greater the savings—another factor that is likely to benefit rural households more.”

The net national economic benefits of increasing fuel efficiency for trucks are three times as great as the net national benefit for cars.

“Both the costs and benefits for trucks are higher, and the benefit of increasing fuel efficiency for trucks is about two and a half times as large. All of these analyses show that it is time for the Senate, which is uniquely designed to represent the interest of rural areas, to act on the facts and raise the CAFE standard for all vehicles,” said Cooper.

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CFA is non-profit association of some 300 consumer groups that was established in 1968 to advance the consumer interest through research, education, and advocacy.