



Consumer Federation of America

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Contact: Mark Cooper
(301) 384-2204

50 MPG Feasible, Affordable and Economic

New CFA analysis shows \$3/gal Gasoline Can Make it Happen by 2030

Washington, D.C. – The Consumer Federation of America (CFA) today released an economic analysis of the impact of \$3 a gallon gas, which shows that consumer investment in higher automobile fuel economy pays for itself every month. The report, entitled “**50 by 2030**,” calls on Congress to pursue policies that target new vehicle fuel efficiency in the range of 50 miles per gallon (mpg) over the course of the next quarter century to avoid future consumer price shocks and the severe economic, environmental and military costs of the nation’s oil consumption.

“As members of Congress deal with rising gas prices, CFA urges them to consider aiming for dramatic increases in motor vehicle fuel efficiency.” said Mark Cooper, CFA Research Director. “Our analysis shows that achieving 50 mpg by 2030 is affordable for consumers and makes economic sense for America.”

The CFA analysis shows that at \$3 a gallon even purchasing a 48 miles per gallon vehicle today makes sense for consumers because higher auto loan payments for more efficient cars are recouped by the money saved paying for lower monthly gas purchases. The problem, CFA notes, is that there are too few 48 mpg models available today to meet the different needs of American consumers.

“The problem is not technology, it is time,” Cooper added. “Most families don’t buy a new car every year. It takes a few years for the automotive industry to retool, and ten or more years for the vehicle fleet to turn over.”

The report will be submitted for the record to the Senate Commerce, Science and Transportation Committee hearing on Combined Average Fuel Efficiency hearing to be held tomorrow.

CFA based its analysis on the National Research Council estimates of the price of fuel economy technology, the Energy Information Administration’s gas price projections and March 2006 interest rates of 6 percent. The analysis cites, as an example, a consumer’s choice between two vehicles: one gets 24 mpg, the other 48 mpg. The cost of improving a car’s gas mileage from 24 mpg to 48 mpg is estimated to be approximately four thousand

dollars, adding \$78 to a monthly auto loan payment. At \$3 per gallon, the monthly fuel cost would be \$78 lower. In economic terms, this is a cash neutral investment.

CFA's recommendation is based on consumer economic analysis that does not take into account the potential benefits of lower oil imports, less defense spending, and reduced green house gas emissions. A broader cost benefit analysis would demonstrate even larger benefits for the cost. Recent CFA and other public opinion polls show that Americans are increasingly concerned about these factors.

"CFA analysis shows that achieving a doubling of the fuel efficiency of the national vehicle fleet over the next quarter century – one mile per gallon a year --- which is an aggressive goal that would achieve an unprecedented level of oil savings, is easily justified from both the consumer and the societal perspectives," Cooper added. "We would lower oil consumption by almost 6 million barrels per day and reduce projected imports by one-third."

"Fuel efficiency improvements that do not raise the consumer's monthly bill, while delivering these huge societal benefits are simply too good to pass up," Cooper concluded, "and it is critical for public policy to ensure that we capture these gains."

To download the report, go to http://www.consumerfed.org/pdfs/50_by_2030.pdf

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