



# Consumer Federation of America

**CONSUMER FEDERATION OF AMERICA  
COMMENTS ON THE  
REVISIONS AND ADDITIONS TO  
MOTOR VEHICLE FUEL ECONOMY LABEL  
Proposed Rule, September 23, 2010,  
Docket ID No. EPA-HQ-OAR-2009-0865 and/or NHTSA-2010-0087**

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**November 22, 2010**

The Consumer Federation of America (CFA) is pleased to submit these comments on the proposed rules regarding the revision of the motor vehicle fuel economy labeling program. Of the two different label designs the agencies are proposing, the CFA supports Label 1. This design prominently features a letter grade (A+ to D) to communicate the overall fuel economy and greenhouse gas emissions, and the 5 year-fuel-cost savings compared to an average vehicle. We believe that the Label 1 grading system will have a profoundly positive effect on improving vehicle fuel efficiency.

## **Regulation by Information Works**

There is great precedent for using simple, easy-to-understand, comparative information to improve product performance. Few programs in the history of the government have done more to improve product safety and the public health of America than the widespread publication of the crash test rating program. Access to the crash test results has enabled the American consumer to vote with their dollars for better performing, safer vehicles.

Prior to this program, when consumers were not able to make purchase decisions based on crash test performance, manufacturers had no incentive to improve their vehicles.

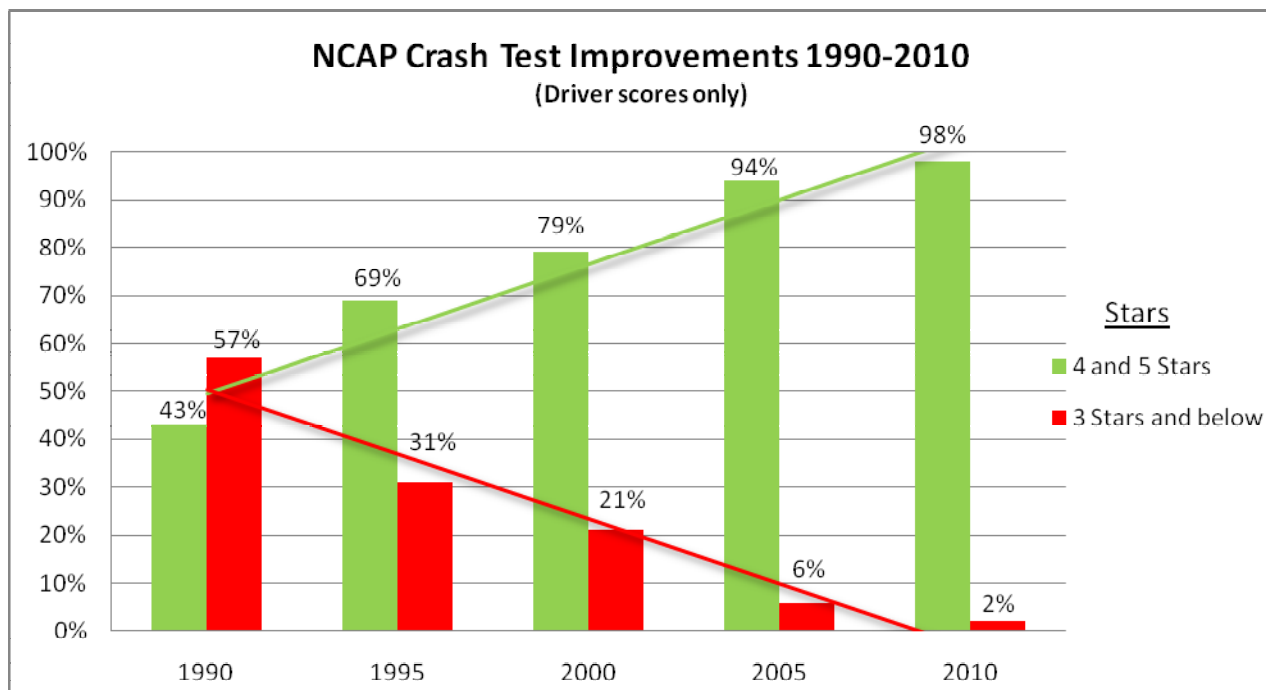
Now, today's vehicles are safer than ever before. Like the simple pass/fail crash test ratings, the new Motor Vehicle Fuel Economy Labels (Label 1) with the letter grade will be equally powerful change-makers.

It's important to remember that the publication of simple crash test results survived a long history of attacks by the car companies. In fact, for many years the car companies spent tremendous effort and resources attacking the crash test information program, claiming that it was inaccurate, ineffective and misleading. Thankfully, due to its strong support by safety advocates and its popularity with the America public, the program has survived and grown.

The best evidence of the success of simply presented crash test information? Those very carmakers that fought the crash test information program are now stepping forward and promoting the fact that their vehicles do well. And they are doing so because the continued presence of this information in the market forced them to make the improvements necessary to make those claims. NHTSA files are filled with documents in which the car companies laid out every possible argument for killing the program only to embrace this once defiled consumer information in virtually all of their advertising.

### **The Power of Regulation by Information**

That is the power of *regulation by information*. While car makers were adamantly opposed to giving consumer easily understandable and comparable information on crash tests, doing so forced them to dramatically improve their vehicles' overall performance. In fact, in 1990, less than half of the tested vehicles had 4 or 5 star driver ratings. Overtime, thanks to consumer information in the market, that percentage increased to 98% with the 2010 vehicles. The following table shows how the percent of vehicles getting 4-5 stars increased from 1990 to 2010. Now it's time to learn a lesson from this powerful change-maker and use the free market to dramatically improve vehicle fuel efficiency.



Source: Consumer Federation of America analysis of crash test performance 1990-2010, September 15, 2010 press release “2010 Models Don’t Make the Fuel Economy Grade”

### **Fuel Economy Grade Labeling Will Bring About Huge Improvements in Fuel Efficiency**

With this new label proposal, the Environmental Protection Agency and the National Highway Traffic Safety Administration are on the verge of introducing a program that will bring about significant improvements in fuel economy. If implemented, the Motor Vehicle Fuel Economy Label (Label 1) with the letter grade will ensure that Americans are empowered with meaningful and useful consumer information. This simple, easy-to-understand fuel economy grading system, represents a giant step forward in our efforts to improve vehicle fuel efficiency and reduce our dependence on foreign oil.

Alliance of Automobile Manufacturers CEO David McCurdy, who represents Toyota, GM, Ford, and eight other automakers, said the “proposed letter grade falls short because it is imbued with school-yard memories of passing and failing.”<sup>1</sup>

That’s precisely the point. We all understand the difference between an “A” and a “D” and that’s what scares the car makers. And they’re afraid for good reason. Not only will this

<sup>1</sup> Mitchell, Josh. The Wall Street Journal. “U.S. Wants Report Card for Cars.” 30 August 2010.

information empower car buyers, but we took a look at how the 2010 vehicles would have fared under the proposed grading system and as the following table indicates, less than 1% would get “A”s. On the other hand, over 40% get “C”s and “D”s.

<b>EPA Fuel Economy Grades for 2010 Vehicles</b>					
<b>Proposed EPA Grade</b>	<b>Combined Low (mpg)</b>	<b>Combined High (mpg)</b>	<b># of 2010 Vehicles</b>	<b>Percent Of Vehicles</b>	<b>Grade Total</b>
A+	117	above	0	0.0%	A 0.5%
A	59	116	1	0.1%	
A-	40	58	4	0.4%	
B+	30	39	40	3.6%	B 56.9%
B	24	29	218	19.8%	
B-	20	23	369	33.5%	
C+	18	19	183	16.6%	C 39.4%
C	16	17	137	12.4%	
C-	14	15	114	10.4%	
D+	13	13	16	1.5%	D 3.2%
D	12	below	19	1.7%	
Total			1101	100%	

Source: Consumer Federation of America analysis of crash test performance 1990-2010, September 15, 2010 press release “2010 Models Don’t Make the Fuel Economy Grade”

The auto companies’ opposition to the proposed fuel economy grades is a poignant reminder of their opposition to crash test ratings. Ironically, as the car dealers and auto industry fight against giving consumers powerful comparative fuel economy information, they are fearful that the very ‘free market’ that they often tout will force them to make similar improvements in the fuel efficiency of their vehicles, as happened with the crash test information.

### **Consumer Demand for Increased Fuel Economy**

The carmakers fear that consumers will choose the more fuel efficient car is real because CFA’s consumer survey data clearly shows, consumers want fuel efficiency. As far back as May 2006, over three-quarters (78%) of consumers supported requiring auto companies to greatly

increase fuel economy of new cars as long as higher car prices are offset by lower gas costs.<sup>2</sup> Back then consumers were even willing to pay more for cars with higher mileage. In October 2006, 53 percent of respondents wanted higher mileage, and about one-half of this group (26% overall) wanted much greater miles per gallon.<sup>3</sup>

As a result of this research, in 2006 CFA proposed the adoption of a “Mileage Rating Scale.” In order to heighten consumer awareness of vehicle fuel efficiency and to motivate changes in both purchase behavior and manufacturer production, CFA developed a Mileage Rating Scale (MRS). This mileage rating scale was a precursor to the more informative Label 1 grades currently being proposed by the EPA and NHTSA.

**Consumer Federation of America’s  
Mileage Rating Scale**

<b>Mileage</b>	<b>Mileage Rating Scale</b>
Over 40 MPG	Excellent
30-39 MPG	Good
20-29 MPG	Fair
Under 20 MPG	Poor

By helping consumers to quickly identify which new or used vehicles are Excellent, Good, Fair or Poor, in terms of gas mileage, the Mileage Rating Scale enabled them to make more informed vehicle purchases. Back then, as today, relatively few vehicles met the Mileage Rating of “Excellent.” Of all the 2006 cars rated by the U.S. EPA, only 1% achieved an “Excellent” rating while 40% received a “Poor” rating.

In an August 2008 survey by the CFA, we continued to find a huge mismatch between consumer demand and 2008 models offered. Fifty-nine percent of the respondents said they wanted to get more than 35 mpg in their next vehicle.<sup>4</sup> That year only 1 percent of the 2008

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<sup>2</sup> National opinion polls conducted for the Consumer Federation of America by the Opinion Research Corporation. May 2006. See Consumer Federation of America release [http://consumerfed.org/elements/www.consumerfed.org/file/energy/CFA\\_Energy\\_Blueprint\\_Press\\_Rel\\_052506.pdf](http://consumerfed.org/elements/www.consumerfed.org/file/energy/CFA_Energy_Blueprint_Press_Rel_052506.pdf)

<sup>3</sup> National opinion polls conducted for the Consumer Federation of America by the Opinion Research Corporation. October 2006. See Consumer Federation of America release [http://consumerfed.org/elements/www.consumerfed.org/file/energy/Gas\\_Mileage\\_Consumer\\_Attitudes\\_Manu\\_Performance\\_Press\\_Release111306.pdf](http://consumerfed.org/elements/www.consumerfed.org/file/energy/Gas_Mileage_Consumer_Attitudes_Manu_Performance_Press_Release111306.pdf)

<sup>4</sup> National opinion polls conducted for the Consumer Federation of America by the Opinion Research Corporation. August 2008. See Consumer Federation of America release

models offered by automakers achieved that mileage. In the same 2008 survey, about 60 percent of the respondents said they were willing to consider major changes to achieve higher fuel economy, including switching to four cylinder engines, small cars and hybrids. That same demand for higher fuel economy has been consistent over the years as evident in CFA's May 2010 survey when nearly two-thirds (65%) of respondents agreed that "the government should increase the fuel economy standard to an average of 50 miles per gallon (mpg) by 2025."<sup>5</sup>

### **"Grades" are Powerful Motivators**

We all understand and respond to "grades." We see grading scales in supermarkets on meats and eggs. New York City and Los Angeles have adopted letter grading systems for the cleanliness of restaurants and food vendors. In Los Angeles, hospital admissions for food related illnesses dropped by 13 percent, whereas they rose 3.2 percent in the rest of the state.<sup>6</sup>

Providing letter grades and dollar values to describe a vehicle's fuel consumption will have a huge impact on consumer behavior. While we may not fully understand the economic impact of a 26 mpg vehicle versus a 16 mpg vehicle when shopping for a new car, we certainly understand the difference between a "B" and a "C" grade. With the grades car buyers will be able to vote for the better performing vehicles with their hard earned dollars. In addition, as the vast majority of Americans scrimp and save from paycheck to paycheck, knowing that one vehicle will SAVE close to \$2,000 on fuel costs over the average vehicle and another will COST more than \$3,000 over the average vehicle will no doubt have a huge impact on our purchase behavior.

Another reason why this new labeling system will have a powerful impact on the way car companies make their vehicles is the embarrassment factor for those "D" and "C" performers will motivate an effort to get off the 'bottom of the list.' Avoiding the 'bottom of the list'

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[http://consumerfed.org/elements/www.consumerfed.org/file/energy/Fuel\\_Economy\\_and\\_Auto\\_Sales\\_press\\_release\\_8-4-08.pdf](http://consumerfed.org/elements/www.consumerfed.org/file/energy/Fuel_Economy_and_Auto_Sales_press_release_8-4-08.pdf)

<sup>5</sup> National opinion polls conducted for the Consumer Federation of America by the Opinion Research Corporation. August 2008. See Consumer Federation of America release

[http://consumerfed.org/elements/www.consumerfed.org/file/Gas\\_Oil\\_Survey\\_Oil\\_Spill\\_PR\\_5\\_18\\_10.pdf](http://consumerfed.org/elements/www.consumerfed.org/file/Gas_Oil_Survey_Oil_Spill_PR_5_18_10.pdf)

<sup>6</sup> Field, Anne. "Consumer Feast on Restaurant Ratings." Stanford GSB News October 2005.

[http://www.gsb.stanford.edu/news/research/stratman\\_consumerinfo.shtml](http://www.gsb.stanford.edu/news/research/stratman_consumerinfo.shtml)

syndrome is a powerful free-market incentive for product improvement and these new labels will set the stage for that improvement.

## **Objections of the Car Makers**

We'd like to respond to what appear to be the main objections of the car companies to this powerful change-maker.

The Alliance of Auto Manufacturers said that the letter grade "obfuscates the information consumers most need and rely on in purchase decisions. This letter grade format indirectly focuses attention on a single attribute (CO2) while ignoring other consumer needs like towing capacity, safety, comfort, cost and reliability."<sup>7</sup> They said, "Consumers will confuse the letter grade with overall vehicle quality or even safety."<sup>8</sup>

This is simply wrong. They are totally denigrating the ability of their own customers to properly use a fuel economy grade. It would be as if the "A", "B" and "C" restaurant ratings in Los Angeles or New York City would obfuscate the ability of a consumer to decipher the ambiance, menu prices, and type of food offered by a restaurant because it had a letter grade for cleanliness.

The Alliance also said, "Manufacturers cannot possibly develop the systems to collect and manage the new information required, redesign the ... label, develop new software to implement the new label requirements, validate the software and label designs, and work with suppliers to procure labels in the time-frame being considered."<sup>9</sup>

Let me remind you, these are the same companies who said they couldn't put airbags in cars, child safe windows were impossible, and the crash test program was too complicated for customers to understand. We have complete confidence that today's readily available technology and automaker competence will enable them to meet this new requirement.

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<sup>7</sup> Shepardson, David. "Automakers oppose letter grades for new cars." *The Detroit News* 14 October 2010. <http://www.detnews.com/article/20101014/AUTO01/10140451/1361/Automakers-oppose-letter-grades-for-new-cars#ixzz12uVBF19C>

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

GM said, "It oversimplifies things. If somebody's buying a car for \$20, \$30, \$40, \$50,000 — it's a big deal" if they get a grade less than "A."<sup>10</sup>

That's precisely why the grades are so important, because whatever the price of the car, fuel economy is a "big deal" for today's consumers. These new grades will ensure that they get a good deal.

## **Conclusion**

It is our hope that the U.S. Environmental Protection Agency and National Highway and Traffic Safety Administration will take a giant step forward in the country's efforts to improve vehicle fuel efficiency and reduce our dependence on foreign oil by providing consumers with this thoughtful, simple and easily comparable method of presenting fuel economy to the American car buyer. The crash test rating system has proven that 'regulation by information' works; it's now time for EPA and NHTSA to take the next step and provide more straightforward presentation of vehicle fuel efficiency. By truly enabling consumers to make an informed purchase, these new grades will be a powerful change-maker. Not only will they enable consumers to raise the bar for all automakers, but they will, ironically, protect U.S. carmakers by forcing them to be competitive with their foreign counterparts.

"Regulation by information" works. These new grade labels will provide the next generation of car buyers with a fuel economy grading system that has the potential to create profound changes in the U.S. auto market. These grades will save consumers billions of dollars, reduce our dangerous dependency on foreign oil, and dramatically reduce the impact of tomorrow's vehicles on our precious environment.

*The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. [www.consumerfed.org](http://www.consumerfed.org)*

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<sup>10</sup> *Id.*