



Consumer Federation of America

PRESS RELEASE

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NEW CFA REPORT: 60 MPG OR MORE STANDARD IS ECONOMICALLY ACHIEVABLE AND TRULY RESPONSIVE TO CONSUMER NEEDS *Administration to Announce Intent for 2017-2025 CAFE/GHG Standards in September*

Washington, D.C. – A new economic analysis from the Consumer Federation of America (CFA) identifies a fleet-wide car and light truck fuel economy standard of 60 miles per gallon (mpg) by 2025 as critical and necessary for consumer pocketbook protection. The Obama Administration will release a Notice of Intent for 2017-2025 light duty fuel economy standards on September 30th.

“Previous fuel economy standards have left huge consumer savings on the table. A 60 mile per gallon standard in 2025 will capture those enormous benefits and provide important protections for American consumers,” commented report author Mark Cooper, CFA Director of Research.

The new analysis examines the consumer and societal impacts of the 2016 standard, calculates the standard that achieves the maximum net economic benefit and measures the consumer and society impacts of those standards.

The report includes a consumer pocketbook analysis, which finds that for consumers purchasing 60 mpg cars and trucks the value of the gas savings will be greater than the increased cost of the loan.

- Consumers will save money in the first year of ownership, and their purchase, when financed by a five year auto loan, will be cash neutral in the first month.
- A 60 mpg vehicle will save the typical car buyer over \$1,000 in gas costs over and above the increased car cost by the time the auto loan is paid off (typically 5 years) and \$3,000 over the life of the vehicle (roughly ten years), which the consumer could capture in the sale price of the vehicle or by holding on to it.

The report combines estimates of technology cost from the National Academy of Sciences and MIT with the costs benefit analysis previously prepared by the Environmental Protection Agency and the National Highway Traffic Safety Administration (NHTSA) to derive its estimates of what is technologically feasible and economically justified. The Energy Information Administration’s projected price of gasoline for 2025 of \$3.50 (in 2010 dollars) is used. For the consumer pocketbook analysis, a five-year auto loan at 7 percent interest is assumed (which is the average auto loan rate for the past 20 years).

According to the report, the 2016 standard of 34 mpg falls far short than what would be in the best interest of consumers and society. The economic analysis shows that going to 38 mpg would have delivered additional benefits of \$140 billion over the life of the vehicles covered. Moving the standard to 60 mpg will add hundreds of billions of consumer savings and reduced greenhouse gas emissions by hundreds of millions of tons.

The report identifies a reluctant automobile industry as the biggest obstacle to achieving the greatest consumer benefits through higher fuel economy. “The approach taken by NHTSA in the past allowed the ill-informed plans of automakers to restrain the levels of standards,” according to the report.

“One of the reasons that the administration must set targets so far in advance is that the industry has been slow to adjust to the clear consumer demand for greater fuel economy,” Cooper added. “We must set our sights on a higher mid-term goal like 60 mpg by 2025 to get the industry moving in the right direction.

“The decision to coordinate standard setting between California, the Environmental Protection Agency and the National Highway Traffic Safety Administration was an important step forward that required a compromise on the initial levels at which the standards were set,” Cooper added. “The procedural progress must now be followed up with substantive progress that moves the standards to much higher levels. A real victory can only be claimed when the standards are set at a level that captures the immense benefits that had been left on the table.”

The report is available at:

http://www.consumerfed.org/elements/www.consumerfed.org/file/60mpg_Study090210.pdf

The Consumer Federation of America (CFA) is a non-profit association of over 280 consumer groups that was founded in 1968 to advance the consumer's interest through advocacy, research, and education.