



Consumer Federation of America

PRESS ADVISORY
For Immediate Release

Contact: Julia Redmon 202-737-0766
Morrow Cater 415-453-0430

DRAMATIC SHIFT TO FUEL EFFICIENT VEHICLES BEGAN IN 2005

New Auto Sales Analysis Reveals Market Reality Missed by Automakers & NHTSA

Resulting Rule and Enviro Impact Analysis Flawed

New Consumer Poll Shows Greater Demand for Fuel Economy than Available

Washington D.C. — The Consumer Federation of America (CFA) released an analysis of the impact of fuel economy on auto sales since 2002 that reveals dramatic early market shifts missed by domestic automakers and the National Highway Traffic Safety Administration (NHTSA). The analysis was presented today at the only public hearing on NHTSA's proposed fuel economy standard for 2011-2015 vehicles, which is based on automakers' product plans and market assumptions.

“The auto industry acts as if plummeting SUV and pickup truck sales are a new phenomenon. The fact is gas guzzling vehicle sales have been falling off a cliff for over three years,” said Dr. Mark Cooper, CFA Director of Research. “And yet, the Administration's proposed fuel economy standard presumes no fall and no cliff. As a result, they have proposed a mileage standard that is far below what consumers are demanding now.”

At the NHTSA hearing on the draft environmental impact statement (DEIS) for the proposed rule, Dr. Cooper, along with auto dealer Adam Lee and Vice Admiral Dennis McGinn (Ret.) challenged the range of alternatives analyzed in the draft environmental impact statement, pointing to flawed economic assumptions that limit the range, and the resulting environmental benefits.

“First they assume consumers don't want fuel economy and set a minimum standard. Then they analyze that a range of alternatives dictated by that minimum and say it doesn't matter anyway because it doesn't deliver real benefits,” said Cooper. “Congress set a floor not a ceiling on fuel economy standards and ordered the Administration to achieve maximum feasible fuel savings to achieve energy independence and security. This rule achieves neither maximum feasible fuel savings, nor energy security.”

Combined with a new poll on consumer attitudes about gas prices, hardship and vehicle purchase plans, the analysis underscores a significant market demand for fuel-efficient vehicles that remains unmet. To conduct this analysis, CFA compiled a database of the top fifty models in each year between 2002 and 2008 (1st half) with their sales (Automotive News) and mileage ratings (Environmental Protection Agency new method). Over the seven model years a total of 83 models rank among the top fifty representing approximately two-thirds of all units sold over the six-year time period.

Dr. Cooper presented the following key findings to the NHTSA board:

- The shift in sales was not sudden, and not the result of a shift from trucks to cars;
- By the first half of 2008, the level of fuel economy of a car model accounts for over 40 percent of the variance in the change in sales.

- The structural shift to fuel economy occurred in 2006 for cars, and 2004 for trucks.

Further, Dr. Cooper presented the following new survey findings:

- Eighty-four percent of respondents say they are concerned about rising gasoline prices (70 percent very concerned) and eighty-four percent say this rise in price has placed a financial burden on their household budgets (63 percent say severe);
- Among those who drive and intend to purchase a vehicle, the current average fuel economy of their car is reported at about 24.1 mpg but they intend to get 32.7 mpg in their next vehicle;
- There is a huge mismatch between consumer demand and models offered by automakers in 2008; Whereas 59 percent of the respondents say they want to get more than 35 mpg in their next vehicle, only 1 percent of the models offered by automakers achieve that mileage;
- About 60 percent of the poll respondents say they are willing to consider major changes to achieve higher fuel economy, including switching to four cylinder engines, small cars and hybrids.
- The average goal for consumers in the market today is 32.7 mpg, well above the standard of 31.6 mpg that NHTSA has set for 2015.

At the hearing, Cooper challenged the Administration to revise the proposed fuel economy rule's underlying economic assumptions, which restrict what NHTSA deems "maximum feasible" for a fuel economy standard as mandated by the Energy Independence and Security Act. He cited the following flawed economic assumptions as out of step with market realities:

- NHTSA's proposed rule does not recognize the impact of fuel economy on the resale value of vehicles as used SUVs and pickups pile up on dealer lots across the country and the Big 3 announce plans to discontinue leasing these vehicles precisely because the value at the end of a lease is so much lower than the price they have to pay;
- NHTSA uses a price for gasoline in 2015 that is 40 percent lower than today's price;
- NHTSA projects a mix of cars and trucks that bears no relation to vehicles consumers are buying today;
- Consumers are already demanding higher gas mileage in new vehicles than NHTSA mandates seven years from now.

"The reality is that consumers are trapped in gas guzzling vehicles, America is trapped in an oil stranglehold by nations hostile to our interests, and the world is trapped in a rapidly heating atmosphere. That is why the Congress passed the Energy Independence and Security Act. NHTSA has both an opportunity and a mandate to deliver the fuel savings that will make a real difference," commented Cooper.

The study is available at: http://www.consumerfed.org/pdfs/CAFE_and_Auto_Sales.pdf

Dr. Mark Cooper is Director of Research at the Consumer Federation of America, responsible for energy, telecommunications, and economic policy analysis. He is a Fellow at Stanford, Columbia and Fordham Universities.

Consumer Federation of America (CFA) is a non-profit association of 300 consumer groups, with a combined membership of more than 50 million people. CFA was founded in 1968 to advance the consumer's interest through advocacy and education.

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