Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

July 12, 2007

Dear Representative:

RE: CFA STUDY FINDS DRAMATICALLY HIGHER VEHICLE FUEL SAVINGS IN MARKEY-PLATTS BILL THAN IN AUTO INDUSTRY PROPOSAL

The Consumer Federation of America (CFA) has just completed an analysis[1] showing that the motor vehicle fuel economy standards in the legislation introduced by Representatives Markey and Platts (H.R. 1506) serve the interests of consumers and the nation far better than the "low and slow" bill promoted by the auto manufacturers (H.R. 2927).

TARGETS, TIMING AND LOOPHOLES

The Markey-Platts bill requires the fleet-wide fuel efficiency of new cars and trucks to increase by ten miles-per-gallon (mpg) to 35 mpg by 2018, and by 4 percent per year thereafter. Its goals are quite close to those stated by President Bush in his State of the Union address. In contrast, the legislation promoted by the auto industry that has been offered by Representatives Hill and Terry would require an increase to only 32 mpg by 2022 and set a maximum of 35 mpg for 2022 and beyond. The auto industry proposal would also extend for ten years the flexible fuel vehicle credit program, which lowers the actual fuel economy of the fleet by as much as 1.2 mpg.

CONSUMER, NATIONAL SECURITY AND ENVIRONMENTAL BENEFITS OF HIGHER FUEL ECONOMY STANDARDS

The result of the auto industry low and slow approach is that the Hill-Terry bill would achieve considerably less than half and probably only one-quarter of the gasoline savings of Markey-Platts (see Attachment 1).

- Markey-Platts would save about 100 billion gallons of crude oil over the next ten years, while Hill-Terry would save only about 25 billion.
- The nation would import an extra 75 billion gallons of crude oil under Hill-Terry.
- Consumers would end up spending over $200 billion more on gasoline under Hill-Terry.
- The nation would emit more than an additional 1 billion tons more of green house gases under Hill-Terry.

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[1] *Too Little, Too Late: Why the Auto Industry Proposal to Go Low and Slow on Fuel Economy Improvements is Not in the Consumer or National Interest* available at: http://www.consumerfed.org/pdfs/Auto_Industry_Proposal.pdf
This analysis is part of a series of reports by CFA over the last two years examining the consumer pocketbook and national cost-benefit impact of various approaches to increasing fuel economy of the light duty vehicle fleet (cars, pick-ups, SUVs and vans). *50 by 2030* (May 2006) available at: http://www.consumerfed.org/pdfs/50_by_2030.pdf, *A Blueprint for Energy Security* (May 2006), available at: http://www.consumerfed.org/pdfs/Energy_Blueprint.pdf, *35 by 2018* (May 2007), available at: http://www.consumerfed.org/pdfs/CFA_Cost-Benefit_Analysis_of_10_in_10,_June_07.pdf, *Rural Households Benefit More From Increases In Fuel Economy* (June 2007), available at: http://www.consumerfed.org/pdfs/Rural_Benefits_of_CAFE.pdf.

The National Highway Traffic Safety Administration (NHTSA) found that a 4 percent per year improvement scenario, which is similar to the President's proposal and Markey-Platts, has a positive cost benefit ratio.[2]

HIGHER FUEL ECONOMY PASSES THE CONSUMER POCKETBOOK TEST

CFA's consumer pocket book test finds the increase in fuel economy mandated by Markey-Platts pays for itself, in both the short and long term (see Attachment 2). **The increase in the cost of vehicles to achieve the fuel economy standards mandated by H.R. 1506 would be more than offset for consumers by lower expenditures on gasoline.** This is true from the first month a new auto loan takes effect. Rural consumers enjoy even larger benefits as a result of higher fuel economy. Rural households spend about 20 percent more on gasoline[3] because they are more likely to have a vehicle,[4] drive 15 percent more miles,[5] and get 6 percent fewer mpg than urban households.[6] **The fuel savings for rural households are roughly twice as large as the national average over a typical five-year loan.**

MARKEY-PLATTS PROMOTES THE CONSUMER AND NATIONAL INTERESTS

The National Academy of Sciences concluded five years ago that we could raise the fuel economy of the vehicle fleet to 37 mpg with off-the-shelf technologies without compromising the safety of vehicles. We know the auto industry can and should implement meaningful fuel economy increases, but we also know, based on their track record of resisting seat belts, airbags, antilock breaks, catalytic converters and the initial CAFE program (which doubled the fuel economy of the fleet), that automakers won't take this step unless they are required to do so. Raising the CAFE standard to 35 mpg in 2018, as required by the Markey-Platts bill, is the right thing to do. It would demonstrate that the U.S. is willing to take the bold steps necessary to start ending the nation's oil addiction.

Given the consumer, national security and environmental benefits of achieving the higher fuel savings under the Markey-Platts bill, it would be irresponsible to adopt the much weaker standard that the auto industry is pushing. **We urge you to support the fuel economy standards in H.R. 1506 and to vote against the Hill-Terry bill supported by the automobile industry.** Consumers and the nation need and deserve more.

Sincerely,

Mark Cooper
Research Director

Travis B. Plunkett
Legislative Director

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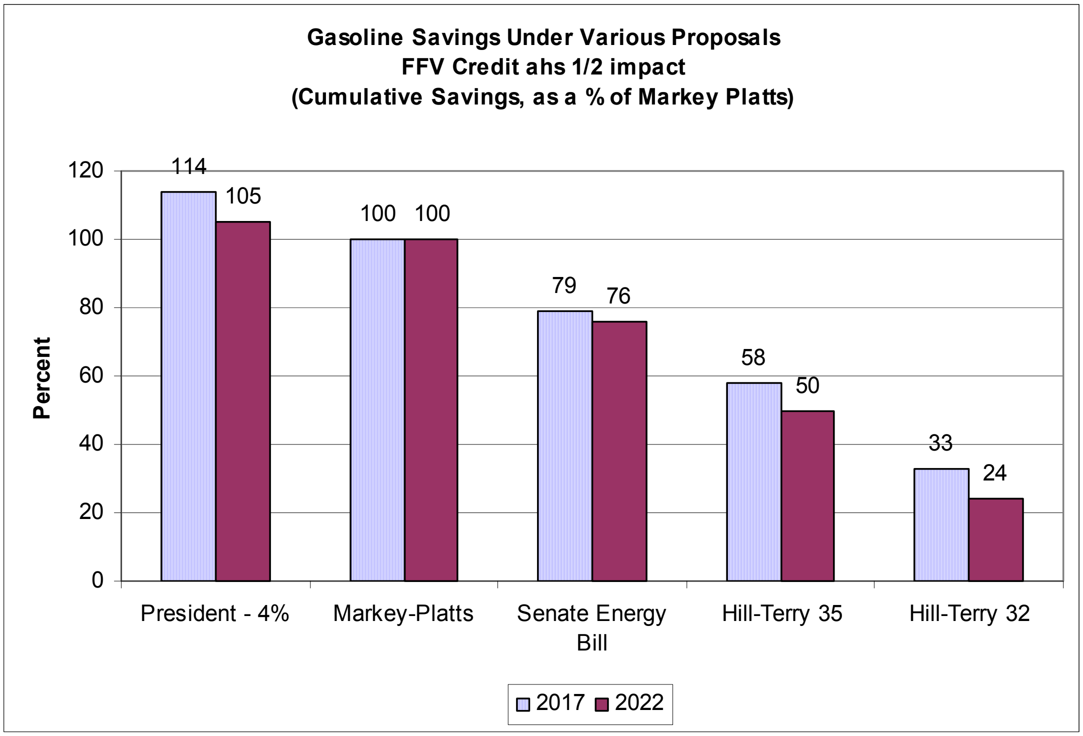
[2] National Highway Safety Administration, *CAFÉ Compliance and Effects Modeling System (Documentation Draft, 5/26/06).*
[3] U.S. Bureau of Labor Statistics, Consumer *Expenditure Survey,* various years, 2005 adjusted to 2006 with Energy Information Administration, Gasoline Price database.
[4] *Summary of Travel Trends: 2001 National Household Travel Survey*, December 2004, p. 36.
[5] Economic Research Service, U.S. Department of Agriculture, *Amber Waves of Grain,* April 2006.
[6] Id.

ATTACHMENT 1



Source: Too Little, Too Late (Consumer Federation of America, July 2007), p. 6.

ATTACHMENT 2

Consumer Analysis of 35 mpg Vehicles: Rural Households Save Twice as Much

	All Households	Rural Households
Loan Payment Increase	$1909	$1909
Life of Loan (5 years)		
Fuel Cost Savings	$2487	$2984
Net Savings	$578	$1075
Life of Vehicle (10 years)		
Fuel Cost Savings	$3480	$4176
Net Savings	$1571	$2267

Assumptions: $3 per gallon, constant real dollars; 5-year, 7% loan; an average $1600 per vehicle to achieve 35 mpg. Rural household gasoline expenditures exceed urban households by 20%.

Source: Too Little, Too Late (Consumer Federation of America, July 2007), pp. 9, 12.