



NATIONAL AUTOMOBILE DEALERS ASSOCIATION
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November 2, 2011

Kevin Knobloch
 President
 Union of Concerned Scientists
 Two Brattle Sq.
 Cambridge, MA 02138

Dear Mr. Knobloch:

Phil Brady, President of the National Automobile Dealers Association, asked us to respond to your letter of October 19. We want to provide a better understanding of the Austria-Carter amendment and to underscore the essential role that consumer demand and affordability play in the success of any fuel economy program. As the Model Year (MY) 2017-2025 fuel economy rules move forward, we believe it is critical to focus on the consumer. Your letter stated that you would “welcome a dialogue” on this matter, and we would be pleased to host such a meeting.

To clarify our long-standing position, NADA supports fuel economy increases under the Corporate Average Fuel Economy (CAFE) program. We merely seek to have fuel economy regulation return to the one program – CAFE – that Congress specifically enacted for that purpose. As you know, due to the actions of the judicial and executive branches, today there are three different agencies that set fuel economy standards – the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and the California Air Resources Board (CARB).

Our main concern is keeping vehicles affordable for consumers. Your letter restates the claimed benefits of the yet-to-be released proposed fuel economy rules for MYs 2017-2025 and yet, there is no mention of actual costs, which is a critical omission in the analysis. The global warming reductions being sought are dependent on consumers actually buying new vehicles, and virtually every consumer is price sensitive. Piecing together various and disparate Obama Administration documents, we have derived that the average price of a new vehicle in 2025 will increase by over \$3,100 due solely to new fuel economy vehicle mandates put forth by the Administration. The breakdown in price increases is as follows:

Model Year 2011 fuel economy rule.....\$91 average vehicle price increase¹
 Model Years 2012-2016.....\$948 average vehicle price increase²
 Model Years 2017-2025.....\$2,100 - \$2,600 average vehicle price increase³

Added together, the \$3,100-plus average surcharge is an upfront cost that every new car buyer would have to pay. In contrast, the fuel savings derived from this surcharge are dependent on (1) the price of fuel; and (2) how much and in what manner the consumer drives the vehicle. If fuel is cheaper in the future, or a motorist reduces driving, the payback time would be even longer.

Other likely impacts on consumers from the rule for MYs 2017-2025 include the following:

- Vehicles that currently cost \$15,000 and less effectively being regulated out of existence.⁴
- Vehicles that currently cost \$20,000 being limited to a very small percentage of available cars.⁵
- Vehicle mass being reduced by 15% - 25%,⁶ which raises important safety concerns.
- 25% to 66% of the fleet needing to be hybrid or electric.⁷

The Austria-Carter amendment is of a very limited nature. The amendment would merely bar, in fiscal year 2012, EPA from (1) working on new fuel economy regulations for MYs 2017 or later; and (2) granting California a waiver to implement its “patchwork” fuel economy regulation. As Congress never explicitly authorized EPA to regulate fuel economy, and explicitly preempted all states – including California -- from regulating fuel economy, enactment of the Austria-Carter amendment would simply return regulation of fuel economy back to its congressional design for fiscal year 2012. Thus, the Austria-Carter amendment does no more than to give a one year “time-out” to two agencies that should not be setting fuel economy standards to begin with.

It is equally important to note what the Austria-Carter amendment would not do:

1. The amendment would not delay the introduction or implementation of any fuel economy or auto pollution standards. Under the amendment, the fuel economy regulations for MYs 2012-2016 that were recently finalized by both DOT and EPA would remain in full force. In addition, DOT could continue without delay to propose additional fuel economy regulations under CAFE for later years. And because fuel economy rules for MY 2017 are not due until April 1, 2015 – more than three and a half years from now – a one-year “time out” would not result in any loss of oil savings or greenhouse gas reductions.⁸
2. The Austria-Carter amendment would also not affect (i) any auto emissions standards for criteria air pollutants previously adopted by EPA or CARB or (ii) the authority of those agencies to promulgate such regulations in the future.

There is broad congressional support for a single fuel economy regulator. Before 2009, fuel economy had always been regulated exclusively by the DOT under CAFE. This is why the House voted on April 7, 2011 to pass H.R. 910, which includes a provision that would prevent further duplicative EPA and California fuel economy regulations. Similar legislation offered by Senate Minority Leader Mitch McConnell (R-KY) garnered 50 votes. Last month, 66 House Members signed a bipartisan letter supporting inclusion of the Austria-Carter amendment in an omnibus appropriations bill.

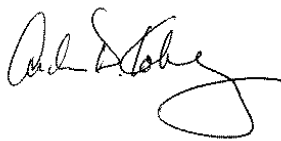
Your assertion that “auto dealers across the country are selling vehicles that meet fuel efficiency and greenhouse gas standards for model years 2012 to 2016” is incorrect. MY 2013 to 2016 vehicles are not yet for sale. Whether and how compliance with the standards for these model years will be achieved cannot yet be known as fuel economy rules do not regulate individual cars, but an automaker’s entire annual fleet.

NADA is acting constructively when it questions the anticipated rulemaking for MYs 2017-2025, since few details are available about the framework agreement. Only a few technical documents and a presidential press announcement are in the public domain. Essentially, you are asking NADA to support what is likely to be the most expensive regulation ever imposed on consumers and the auto industry without ever having seen the proposal or the technical data supporting it. For example, to date, the Administration has refused to directly state on the record how much the average price of a vehicle will increase under their MY 2017-25 fuel economy rules, or how much the rule will cost overall.

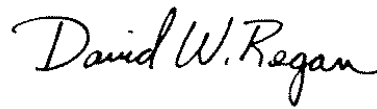
For America's auto dealers, meeting consumer demand every day is not an abstraction, but a reality. Our dealers support regulatory policies that leverage consumer demand, not frustrate it. We are concerned that the Administration expects consumers to embrace new vehicles that will cost thousands of dollars more but may not meet their needs. Consumers always have, and frequently exercise, the option of retaining their current vehicles or buying used vehicles rather than investing in new ones. If consumers fail to buy sufficient quantities of the vehicles automakers will be forced to build, fleet turnover will slow, thereby undermining the goal we share of increasing the overall fuel economy of vehicles in operation.

Thank you for your consideration of our views.

Sincerely,



Andrew D. Koblenz
Vice President, Legal and Regulatory Affairs



David W. Regan
Vice President, Legislative Affairs

cc: Members of Congress

¹ 74 Fed. Reg. 14413 (Mar. 30, 2009)

² 75 Fed. Reg. 25463 (May 7, 2010)

³ NHTSA & EPA, "2017-2025 Light-duty Vehicle GHG & Fuel Economy Joint Notice of Intent and Interim Technical Assessment Report," slide 15, (Oct. 5, 2010). http://www.epa.gov/air/caaac/mstrs/oct2010/4_charmley_tamm.pdf

⁴ U.S. Energy Information Administration, "Annual Energy Outlook 2011," pg. 27 (April 2011).

⁵ Ibid.

⁶ NHTSA & EPA. "2017-2025 Light-duty Vehicle GHG & Fuel Economy Joint Notice of Intent and Interim Technical Assessment Report," slide 17, (Oct. 5, 2010).

⁷ Ibid. Note that only 2-3% of the fleet sold today are hybrids.

⁸ EPA and CARB not only want to finalize new fuel economy standards nearly three years early and before we are able to learn any lessons from the market's reaction to the MY 2012-2016 rules, but they also seek to set these standards for an unprecedentedly long period – through MY 2025, or fourteen years from now. This flies in the face of Congress' directive, set out in CAFE, that fuel economy rules not be established in more than five year increments.