



December 23, 2016

Environmental Protection Agency
Submitted via: www.regulations.gov

Re: Consumers Union's Comments on EPA's Proposed Determination on the Appropriateness of the Model Year 2022-2025 Light-Duty Vehicle Greenhouse Gas Emissions Standards under the Midterm Evaluation (Docket ID No. EPA-HQ-OAR-2015-0827)

Introduction

Consumers Union¹ ("CU") submits the following comments to the U.S. Environmental Protection Agency ("EPA") in the above-referenced matter. In addition, CU has attached its prior comments in the related docket on the Technical Assessment Report ("TAR" from Docket ID No. EPA-HQ-OAR-2015-0827),² including the signatures of 31,973 consumers supporting strong fuel economy and greenhouse gas standards.³ CU appreciates the time, effort, and due diligence the EPA has invested in its collaboration with NHTSA, CARB, and all stakeholders to ensure that all have had sufficient time to weigh in on the TAR and to attend workshops on the TAR and related technical analyses. For the following reasons, CU concurs with EPA's proposed determination that the standard is indeed appropriate under section 202 (a) (1) of the Clean Air Act.

¹ Consumers Union is the policy and mobilization arm of Consumer Reports. Consumers Union works for pro-consumer energy policies, health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace. Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications.

² See Appendix A.

³ See Appendix B.

As CU noted in its comments on the Draft TAR, “Gradual improvements to fuel economy and emission standards are part of a practical and tested program to reduce fuel consumption, improve the vehicle fleet, and save consumers trillions of dollars in fuel costs. Automakers have developed the technology to make better, safer, and more efficient vehicles, and the agencies should push forward in setting and implementing the standards to continue this progress.”

Comments

1. Fuel Economy Standards Are Still Cost-effective and Provide Net Savings to Consumers.

The purpose of the “mid-term review” of the standards for MY 2022-2025 is to ascertain if the agencies’ assumptions about technology and costs are still accurate and reasonable, now that several years have passed since the standards were set in 2012. The latest data, as identified in the EPA technical support document, show that many of the technologies EPA anticipated as likely pathways to compliance in 2012 are now cheaper, more effective, and more widely used than was assumed in its 2012 projections. In fact, there are additional cost-effective technologies, such as continuously variable transmissions (CVTs) and Atkinson-cycle engines, that EPA did not include in its initial analysis, but are widely deployed in the current fleet. EPA has included the most recent data on technology cost and availability, as well as sales trends in its updated analysis.

EPA also conducted robust sensitivity analysis that showed the range of costs has also shifted downward. Therefore, compliance with the standards is likely to cost less than originally anticipated. Using EPA and NHTSA's updated technology costs, Consumers Union analyzed the net consumer benefits, even factoring in today's low gas prices. While current low gas prices dampen the savings compared to 2012 calculations, car buyers will still enjoy significant net savings over the life of their vehicle.⁴ And for the vast majority of car buyers who finance their vehicle, consumers will begin saving in the very first month of ownership, because the savings on fuel are greater than the additional loan amount to cover the added fuel-efficient technology.

2. Fuel Economy Is the Number One Attribute for Which Vehicle Owners See the Most Room for Improvement

In a nationally representative survey published in June 2016, Consumers Union found that fuel economy is the number one attribute vehicle owners would like to see improved.⁵ Fuel economy topped the list of attributes that American drivers think have the most room for improvement, beating out: purchase price, connectivity, range, vehicle comfort, passenger room, safety, cargo space, reliability, horsepower, vehicle size, off-road capability, style, and handling. This finding was consistent regardless of vehicle type and across low- to moderate-

⁴ See Appendix C for full analysis of consumer savings, which can also be found here: <http://consumersunion.org/wp-content/uploads/2016/09/Fueling-Savings-Consumer-Savings-from-CAFE-2025.pdf>.

⁵ See Appendix D for the full survey report.

income vehicle owners. Every segment based on consumers' current vehicle type (small, midsize, large, and pickup truck) identified fuel economy as the number-one attribute that needs improvement, as well as all household income segments under \$100,000.

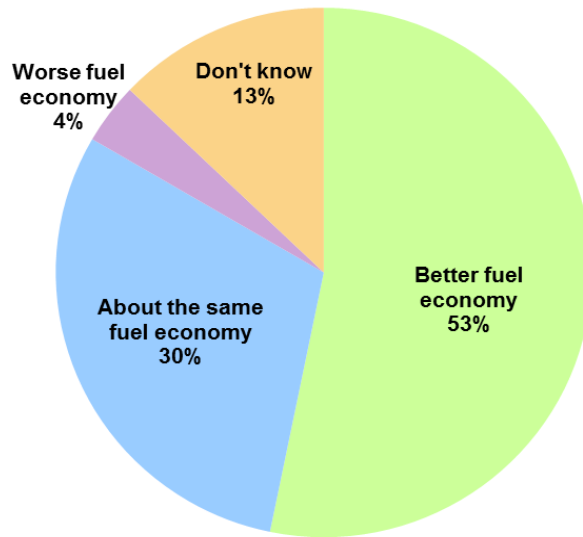
3. Fuel Economy Standards Enjoy Strong Public Support

In the same nationally representative survey published in June 2016, Consumers Union also found strong majority support for robust fuel economy standards.⁶ Highlights from the survey include:

- 76% of American adults agreed that increasing average fuel economy from 25 miles per gallon today to 40 miles per gallon by 2025 is a worthwhile goal.
- 79% of American adults agreed that making larger vehicles, such as SUVs or trucks, more fuel-efficient is important.
- 60% of American adults are willing to pay extra for a more fuel-efficient vehicle if they can recover the additional cost through fuel savings within 5 years.
- The auto brands perceived as the best overall were also those perceived as the best in delivering fuel economy.
- Compared to their current vehicles, over half (53%) of adult American drivers expect better fuel economy with their next car purchase.

⁶ *Ibid.*

Expected change in fuel economy with next vehicle purchase



A majority of consumers expect their next vehicle to get better fuel economy, even if they expect to buy an SUV.⁷ Footprint-based fuel economy standards encourage automakers to design and sell vehicles that have better fuel economy across vehicle size and class. This trend aligns with consumer preferences for better fuel economy in SUVs and trucks. In 2016, there are dozens of SUVs and trucks that get in the mid- to high-20s miles per gallon overall, many of them non-hybrids. In 2006, there were only a handful of SUVs and trucks that broke into the 20s for overall miles per gallon, and most of them *were* hybrids. Vehicle selection, variety of powertrains, and consumer choice will continue to expand as the standards continue to steadily rise.

⁷ See Appendix D, p. 6.

4. Higher Fuel Economy Is Correlated With Higher Owner Satisfaction

As another measure of consumer interest and benefits from better fuel economy, Consumers Union investigated the relationship between fuel economy and owner satisfaction and provided the details of this analysis in its comments on the TAR.⁸ The results of the two-part analysis showed that when holding other factors constant, higher fuel efficiency is positively associated with higher owner satisfaction in almost all cases.⁹

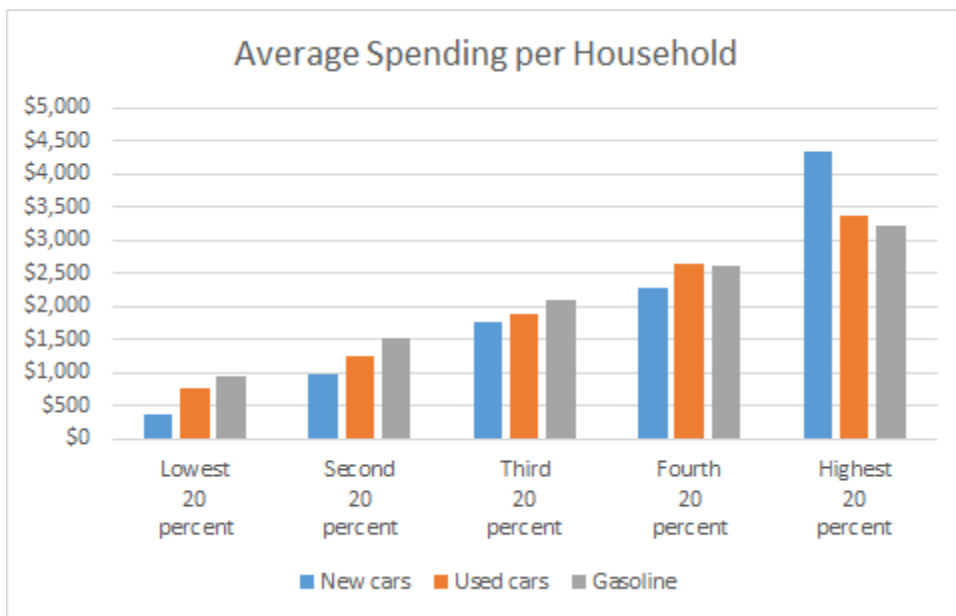
Although many additional factors determine owner satisfaction, the analysis evaluated the relationship between owner satisfaction and the following vehicle attributes: fuel economy, acceleration, horsepower, mechanical problems, CR's road-test score, and CR's tested price. All six attributes examined in the first analysis show significant association with owner satisfaction for cars and SUVs. Fuel economy was second only to mechanical problems in the strength of the association with higher owner satisfaction. The dataset for this analysis included vehicles from model years 2012-2015, and so it includes many fuel-efficient technologies and designs that were identified in the joint TAR. While the analysis does not break out individual technologies, it seems clear that consumer welfare is likely improved from the shift to greater fuel efficiency.

⁸ See Appendix E for the full analysis, which can also be found here: <http://consumersunion.org/wp-content/uploads/2016/06/CU-Owner-Satisfaction-MPG-Report.pdf>.

⁹ *Ibid.*

5. Fuel Economy Standards Are Unlikely to Have Negative Effects on Low- and Moderate-Income Car Buyers

As the Consumer Expenditure Survey (CES) survey shows, and as noted in EPA’s Technical Support Document (TSD) for its proposed determination, new car buyers are overwhelmingly from households in the highest income quintile. Most consumers buy in the used vehicle market (nearly 70% of vehicle sales), especially consumers in households in the two lowest quintiles for income.



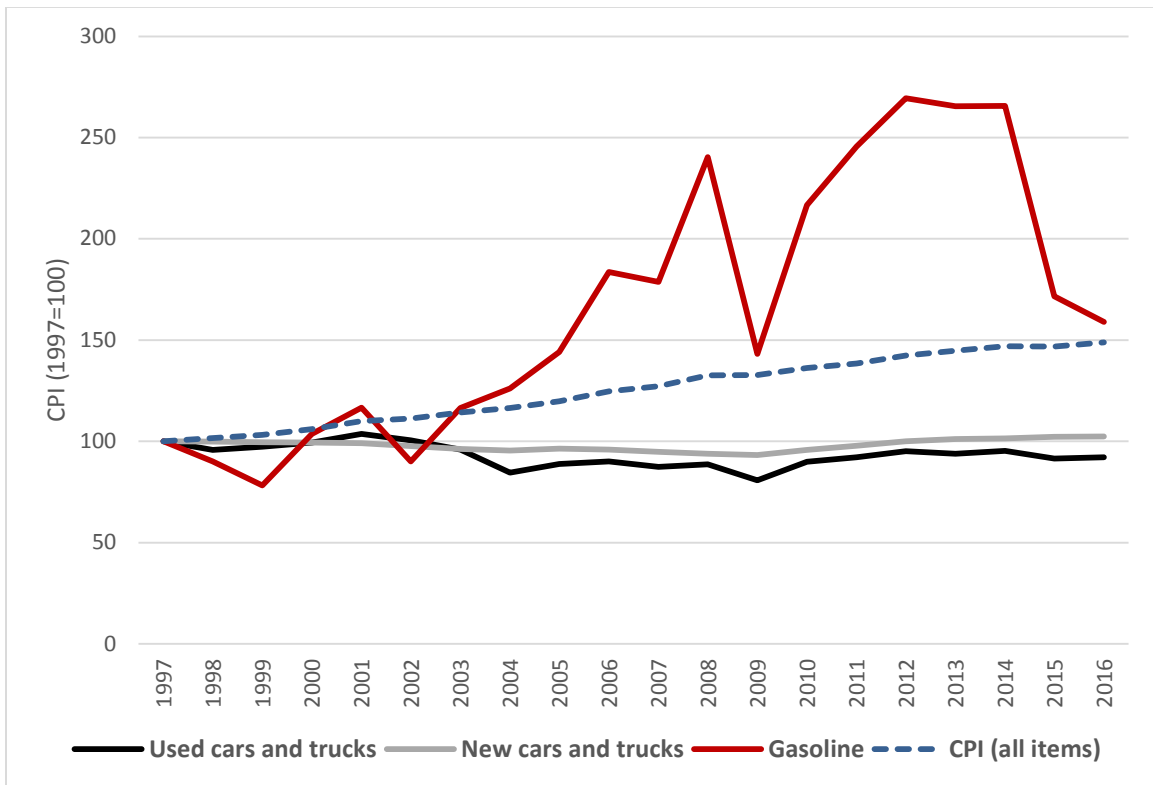
Source: CES data 2016

In fact, low- to moderate-income households spend more on gasoline than they do on vehicles, as shown by the CES survey data above and as noted in EPA’s TSD. Also noted in the proposed determination, used vehicle buyers benefit from the depreciation of new vehicles, which reduces the cost of fuel economy technologies. Even as average new car prices have been increasing slightly, used car prices have been steady or decreasing in real terms. The University of Tennessee study cited in EPA’s proposed determination

demonstrates that used vehicles depreciate faster than the decrease in vehicle miles travelled, meaning that the fuel savings will be greater than the added cost of fuel efficient technology, even after accounting for the fact that vehicles are driven fewer miles as they age. By lowering fuel costs for new and used vehicle buyers alike, fuel economy standards actually deliver higher-than-average net benefits to low- and moderate-income households.

Based on these demographic vehicle buying trends, the main impacts of fuel economy standards would be felt in the used vehicle market. Fortunately, while the new vehicle market has tracked slightly above inflation over the last two decades, used vehicles have actually become cheaper, even as they have benefited from fleet-wide improvements to safety, fuel economy, performance, and other attributes. Fuel economy in particular has been improving since 2012, and both new and used vehicle sales have been at or near record highs. However, there has been only a small increase in real new vehicle prices (largely driven by a trend toward larger vehicles), and there has been a small *decrease* in real used car prices since that time.

Historical Price Trends for New and Used Vehicles and Gasoline



Source: Federal Reserve Bank of St. Louis. All indices re-indexed to 1997=100.

While automaker sales volumes do depend to some extent on the “affordability” of their offerings, automaker behavior and rudimentary microeconomic theory would suggest that maximizing sales volume is not automakers’ goal. Rather, it is maximizing profits. And since the Great Recession, profits have been stellar for many automakers. Automakers are happy to add expense and cost to vehicles when it increases their own bottom line, but they seem resistant to commit to disseminating technology when it benefits consumers’ pocketbooks. Therefore, any such arguments from the

automotive industry about “affordability” seem disingenuous given that they experience record profits from selling more expensive, higher-trim vehicles. The bottom line is that consumers would rather spend their money on vehicles, not on gasoline, and it is a disservice to consumers to force them to spend more on gasoline when it would be cost-effective to invest in fuel economy. The fuel economy standards, as written in 2012, are reasonable, cost-effective, and attainable, and they are likely to deliver net savings for new and used vehicle buyers across the income spectrum.

Conclusion

For the reasons stated above, Consumers Union urges the EPA to finalize its proposed determination and move forward with the standards for MY 2022-2025, as drafted in 2012.

Respectfully Submitted,

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