



Written by [Raven Clabough](#) on February 16, 2012

Proposed Fuel Standards Could Hurt Car Makers

The Obama administration continues to set unfavorable conditions for businesses to prosper, this time through overbearing new fuel standards that auto dealers fear will “price out millions of buyers from the new car market.” If that were to happen, the new standards would undermine the touted benefits of the environmental program while simultaneously infringing upon the auto industry’s chance for a full recovery.



“Where’s the environmental savings ... if you can’t get the older cars off of the road?” National Auto Dealers Association spokesman Bailey Wood said.

As is, however, the government has already mandated an average fuel economy of 35.5 miles per gallon by the year 2016. But by the year 2025, the government wants a fuel efficiency standard of 54.5 miles per gallon.

“This agreement on fuel standards represents the single most important step we have taken as a nation to reduce our dependence on foreign oil,” said President Obama when he announced the new standards. “Just as cars will go further on a gallon of gas, our economy will go further on a barrel of oil.”

The proposal seems to be kowtowing to the demands of environmental groups that have urged the administration to push for 60-mpg fuel-efficiency requirements. A letter submitted to the President last year by Michigan lawmakers called the proposal “overly aggressive” after automakers had indicated they had hoped to bring vehicles up to the standard of 42.6 mpg.

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As noted by Sam Kazman of the Competitive Enterprise Institute, the proposal is one to be balked at, as the government’s imposition of fuel economy standards has led to more traffic deaths, more expensive vehicles, and overall decreased the drive to purchase new vehicles. According to Kazman, the new standards “would exacerbate all those existing problems.”

Kazman indicates that in an effort to meet Corporate Average Fuel Economy (CAFE) mandates imposed by the federal government, automakers are literally removing spare tires in order to shed every ounce of car weight.

Though some contend that spare tires are unnecessary, Kazman [writes](#):

But the fact that spares are being eliminated in the name of fuel economy, rather than market demand, demolishes one of the chief claims of CAFE’s advocates. For several decades, the need to reduce vehicle size and weight in order to raise mileage has been CAFE’s Achilles’ heel. Smaller, lighter cars not only hold fewer passengers and less baggage; they’re also less crashworthy. CAFE-induced downsizing causes several thousand additional traffic deaths per year.



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Much of the criticism of the proposed standards remains with the increased costs that will surely result. But according to the Obama administration, the new standards will “pay for themselves” because consumers would pay more for the vehicle if the higher cost is offset by what is saved in fuel.

As noted by *The Blaze*, however:

Changes from two sets of fuel efficiency standards could add \$3,000 to the price of a new car by 2025. And if consumers can't qualify for a loan up front, the rest is fantasy cash, the NADA [National Automobile Dealers Association] argues. Consequently, consumers mindful of the stumbling economy will instead turn to “gas-guzzling vehicles” or put off buying a new car altogether — leaving the “fuel efficient marvels” to collect dust on car lots all across the country.

Estimates by the NADA indicate that if the new regulations take effect, nearly seven million drivers will no longer qualify for a new car loan by the year 2025.

The fuel efficiency standards were still undergoing a public comment period until Monday when the period was closed by the federal government. The comments will now be reviewed before the rule is finalized.

The NADA has been an outspoken opponent of the new standards, asserting that setting standards 14 years into the future is unrealistic because there is no telling what the consumer demand will be at that time. With slightly more optimism, the Alliance of Automobile Manufacturers has asked that the federal government at least permit a review of the new standards halfway through the 2017-2025 period, to allow for possible necessary adjustments. According to the AAM, the new standards could be successful in meeting the country's energy and environmental goals, but only if the consumers are willing to purchase more energy efficient vehicles at a higher price.

“The Obama administration brought some of the biggest automakers in the country on board with the goal last year before rolling out the new target. And they've got plenty of support from advocacy groups,” Fox's Judson Berger writes. “The Consumers Union sided with the administration, submitting comments Monday claiming the changes would save most buyers money ‘in the very first month of ownership.’”

Auto dealers are at the very least hoping the process will be delayed so that they may have time to fully evaluate the potential financial impact the proposed changes will have on consumers.

“Fuel economy standards can't just be some number picked out of thin air. They have to be based on consumer demand,” Wood said. “If dealers can't sell these [vehicles](#), then you defeat any other benefits you were seeking.”

Thus far the estimates made by the NADA rest on the notion that the new standards would add approximately \$3,000 to the cost of new vehicles by the year 2025.

“That figure combines the administration's cost estimate for fuel economy standards from 2012-2025,” Berger writes. “The NADA, though, says that estimate doesn't factor in certain elements like advertising, and pegged the actual increase at more like \$5,000.”

A study by the Center for Automotive Research last year indicates that the cost of meeting the new standards is approximately \$10,000 extra per new vehicle, an estimate the Center has admitted to be low.

Automakers will be forced to add new technology and more expensive lightweight materials to cars and trucks, which in turn will drive up the cost of vehicles.



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Worse than the increased cost is the impact the increased cost will have on potential new consumers.

“For most households, a light-duty car or truck is the most expensive consumer purchase they make,” the NADA said in a statement to the Environmental Protection Agency (EPA) and National Highway Traffic Safety Administration (NHTSA), adding that most consumers have to borrow in order to purchase a car. The group added, “It matters not whether the new vehicles in question offer improved fuel economy performance characteristics compared to the transportation options currently being used by prospective purchasers. ... All that matters is whether prospective purchasers are creditworthy.”

And the new standards would have a much greater negative impact on smaller automakers. CNN reported:

Stricter fuel economy requirements could spell trouble for smaller automakers that lack the research and engineering staffs to come up with new fuel-saving technologies, said industry analyst Dave Sullivan of Autopacific.

Also, smaller automakers don’t have as broad a range of models to work with. Their larger competitors can improve their average fuel economy simply by incentivizing sales of smaller cars at the expense of larger ones.

Sullivan explains, “This could really squeeze some of the smaller automakers out of the U.S. marketplace.”

Once again, efforts by the federal government to achieve what are marketed as worthy goals will bring about negative results. The Obama administration’s affinity for “going green” will continue to have a harsh impact on the economy, as well as the free market by decreasing competition between automakers and ultimately picking winners.



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