

STUDY FINDS DOUBLE REGULATING FUEL ECONOMY BY STATES HARMFUL TO STRUGGLING AUTO INDUSTRY

Industry Needs Single National Standard, Not Patchwork of State Regulations

WASHINGTON, DC—A comprehensive analysis released today by the National Automobile Dealers Association (NADA) on a California Air Resources Board's (CARB) rule that would allow individual states to regulate fuel economy standards finds numerous unintended consequences that will cause economic harm and provide little or no environmental benefit over the proposed federal standards.

“With new national fuel economy standards expected to be finalized by the Obama administration by April 1, complying with the additional state standards would create a regulatory patchwork that would undermine the national fuel economy program at a time when the auto industry needs regulatory certainty and stability,” David Regan, VP of Legislative Affairs for NADA said.

“Separate and apart from the stringency of standards set by the federal government or California, the establishment of 13 state-based fuel economy regimes would cause irreparable harm to an already struggling automobile industry.”

Regan added that a major slump in auto sales forced 900 dealerships to close their doors in 2008 and put the domestic automakers in the difficult position of needing billions in bridge loans from the federal government to prevent bankruptcy. GM and Chrysler have already received \$17.4 billion in loans. Ford has yet to ask for assistance.

“It makes no sense for the federal government to aid the auto industry with one hand, and then burden it with a duplicative rule that regulates fuel economy completely differently than the federal government,” Regan continued.

To date, the debate over CARB's bid to regulate fuel economy on a state level has been focused on the manner in which the “California waiver,” was denied by the Environmental Protection Agency. Almost no analysis or scrutiny has been given on how CARB's rule will actually work in practice or why such regulation is still necessary since Congress hiked the national fuel economy standard by 40 percent in 2007.

The report, entitled *Patchwork Proven: Why A Single National Fuel Economy Standard Is Better for America Than A Patchwork of State Regulations*, found:

- The patchwork would exist in thirteen states, Washington, D.C., and Bernalillo County, NM, which account for over 40% of the nation's new car market. Pennsylvania would not be part of the patchwork because it bases compliance on complying in California.
- An automaker could comply in California and offer the exact same choice of vehicles in another CARB state, and yet still not be in compliance, solely due to differing consumer demand for different types of vehicles.

- If the patchwork were to take effect in all 50 states, it would result in a 50-state patchwork, as an automaker would still have to manage 50 unique state fleets to individually meet CARB's standard 50 times.
- The patchwork would create the "cross border sales loophole," as CARB's regulation does not regulate cars imported from non-CARB states that are registered in CARB states.
- The patchwork reopens the SUV loophole; and
- Several automakers and potentially new entrants from China and India would be exempt from CARB's regulation until 2016, provided they limit their sales in California.

***Patchwork Proven* shows that a single, national fuel economy standard is the best way to save fuel and reduce greenhouse gases from motor vehicles.** A federal mileage standard provides that certainty and stability, giving automakers a road map to produce the fuel-efficient cars of tomorrow. CARB's patchwork regime – with its exemptions, loopholes, and unintended consequences – would prolong the economic dislocation in the auto sector for little to no environmental benefit.

"In light of the extraordinary economic challenges facing the country and the fact that the federal government is now a stakeholder in two domestic automakers, policymakers must closely consider whether now is the right time to regulate fuel economy twice under two different systems," Regan added. "Since Congress had not acted to increase fuel economy standards when California's request was filed, hearings are necessary to examine the conflicts between state-based fuel economy regulations and the federal corporate average fuel economy (CAFE) program."

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(EDITOR'S NOTE: The full report can be found at www.NADA.org/patchwork)

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