February 4, 2026
By regulations.gov

The Honorable Jonathan Morrison
Administrator
National Highway Traffic Safety Administration
United States Department of Transportation
1200 New Jersey Avenue, SE
West Building Ground Floor, Room W12-140
Washington, DC 20590

Re: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks; Docket No. NHTSA-2025-0491

Dear Administrator Morrison:

On behalf of the National Automobile Dealers Association (NADA), I write in support of the National Highway Traffic Safety Administration's (NHTSA) proposed Safer Affordable Fuel-Efficient Vehicle Rule III (SAFE III).

NADA represents nearly 17,000 franchised dealers in communities across the U.S. who sell, finance, and service new and used vehicles, primarily passenger cars and light trucks. NADA members employ more than 1.1 million people nationwide, and most are small businesses as defined by the Small Business Administration.

SAFE III would reset federal fuel economy standards to conform to the requirements of the Energy Policy and Conservation Act (EPCA) and align with automotive market realities and consumer choice. NHTSA's current CAFE standards attempt to push fuel economy at a pace that requires dramatic increases in EV sales that exceed consumer demand. Since the adoption of those standards, consumer interest in EVs has waned, due to the end of federal EV tax credits, lagging build-out of charging infrastructure, and persistently higher EV prices. Automakers have responded to this shrinking EV demand by scaling back production and cancelling some models entirely.

The reforms NHTSA proposes to Corporate Average Fuel Economy (CAFE) standards would replace the current mandate with feasible, economically practicable standards that improve fuel economy and enable automakers to build cars consumers want and can afford. In lowering the price of a new vehicle, the revised CAFE standards would increase fleet turnover and expand consumer access to the automotive industry's latest safety and performance improvements.

I. The Current CAFE Standards Must be Reset to Align with Market Realities and Federal Law

A. Dealers Fully Support their Customers' Interests in Electric Vehicles

America's franchised dealers have long supported year-over-year fuel economy improvements that can be met with technologies consumers want and can afford—including electric vehicles (EVs).[1]

Franchised auto dealers have sold more battery-electric vehicles (BEVs) in 2025 than all direct-sales manufacturers combined. In 2025, franchised dealerships sold 638,552 new BEVs, accounting for 51% of all new BEVs sold—an increase of 6.6% year over year.[2] Franchised dealers' EV market share has grown due to dealers' substantial investment in training, equipment, facilities, and tools to support our customers that choose to purchase EVs.

But U.S. EV sales for 2025 were essentially flat year over year, increasing just 0.22%, or about 4,000 additional vehicles."[3] Consumer demand for EVs has waned.

B. Unrealistic CAFE Mandates Cannot Dictate Consumer Demand

NHTSA's current CAFE standards pushed fuel economy increases at a pace exceeding what gasoline and diesel technologies could practicably achieve, seeking to compel a widespread shift to EVs. But the rate of EV adoption effectively required under the standards exceeded any reasonable assessment of consumer demand for EVs. These are punishing[4] standards that are neither technically feasible nor economically practicable. Instead, the standards appear to have been devised to meet a pre-determined EV sales percentage set by the prior administration. President Biden's Executive Order (EO) 14037, "Strengthening American Leadership in Clean Cars and Trucks," set a goal that "50 percent of all new passenger cars and light trucks sold in 2030 be zero-emission vehicles"[5] and instructed the Environmental Protection Agency (EPA) and NHTSA to advance rulemakings consistent with the EO and the agencies' statutory

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[1] Nat'l Auto. Dealers Ass'n, Comment Letter on CAFE Standards for Passenger Cars and Light Trucks for Model Years 2027-2032 and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030-2035 (Oct. 16, 2023), https://www.regulations.gov/comment/NHTSA-2023-0022-58200. Nat'l Auto. Dealers Ass'n, Comment Letter on CAFE Preemption (June 10, 2021), https://www.regulations.gov/comment/NHTSA-2021-0030-0435.

[2] NADA analysis of Omdia data on U.S. BEV sales and sellers. *See* OMDIA (Jan. 2025), https://omdia.tech.informa.com/ (available upon request).

[3] *Stay Connected EV Monthly Recharge, December 2025*, ALL. FOR AUTO. INNOVATION (December 23, 2025), https://www.autosinnovate.org/posts/papers-reports/stay-connected-12-16-2025.

[4] NHTSA's analysis for the 2023 proposed rule estimated that manufacturers would incur approximately $14 billion in civil penalties for noncompliance with the strict MY 2027-2032 proposed standards. Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years (MY) 2027-2032 and Fuel Efficiency Standards for Heavy-duty Pickup Trucks and Vans for MYs 2030-2035, 88 Fed. Reg. 56128 (proposed Aug. 17, 2023) (to be codified at 49 C.F.R. pts. 531, 533, 535, 537), https://www.govinfo.gov/content/pkg/FR-2023-08-17/pdf/2023-16515.pdf.

[5] Exec. Order No. 14,037, 86 Fed. Reg. 43583 (August 5, 2021). https://www.federalregister.gov/documents/2021/08/10/2021-17121/strengthening-american-leadership-in-clean-cars-and-trucks

authority. At that time, EVs comprised just 10% of all light-duty vehicle deliveries.[6] To meet the EO, NHTSA's CAFE standards finalized in 2024 called for a target fuel economy level of 50.4 mpg for MY 2031. NHTSA's regulatory analysis[7] for that final rule showed this target could only be met with increasingly aggressive EV adoption rates through MY 2031 that far exceeded then-current or projected consumer demand. In EPA's 2024 companion rule to NHTSA's CAFE standards, EPA documented the steeply climbing BEV and plug-in hybrid EV (PHEV) combined fleet penetration rate of 32 to 68% between 2027 and 2032 that would be needed to comply—rates exceeding President Biden's 50%-by-2030 directive.[8] While the CAFE standards focused on fleet-wide fuel efficiency (measured in miles per gallon or MPG) rather than setting specific EV percentages, their aggressive MPG goals inherently favored EVs.

Since those CAFE standards were adopted, the end of federal EV tax credits,[9] lagging build-out of needed charging infrastructure,[10] and other drags on consumers' interest in EVs have put the standards even further out of reach. In September 2025, the final month of federal EV sales and lease tax credits, BEV sales spiked to 11.8% of new vehicles sold as consumers took advantage of the favorable tax treatment before it expired.[11] But by the end of Q4 in December 2025, BEV

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[6] A. Isenstadt & P. Slowik, *U.S. Passenger Sales and Model Availability Through 2024,* INT'L COUNCIL ON CLEAN TRANSP. (April 28, 2025), https://theicct.org/publication/us-passenger-ev-sales-and-model-availability-through-2024-apr25/.

[7] Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond, Final Regulatory Impact Analysis, Appendix 1, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN. (May 2024), https://www.nhtsa.gov/sites/nhtsa.gov/files/2024-06/CAFE-2027-2031-HDPUV-2030-2035_FRIA-Appendix-I_1.pdf.

[8] Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light Duty and Medium-Duty Vehicles, ENVIRONMENTAL PROTECTION AGENCY, Final Rule, 88 Fed. Reg. 27842, p. 28057 (Table 75) (April 18, 2024).

[9] In July, the One Big Beautiful Bill Act terminated the Section 25E, 30D, and 45W tax credits for clean new and used vehicles as of September 30, 2025. One Big Beautiful Bill Act, Public Law 119-21 (July 4, 2025), https://www.congress.gov/119/plaws/publ21/PLAW-119publ21.pdf.

[10] "[M]ultiple studies suggest that current and planned infrastructure still lags recommended public charger-to-EV ratios. Industry and research benchmarks frequently cite an optimal ratio of roughly 8 to 12 EVs per public charger to ensure reasonable access and minimize wait times. By contrast, our analysis shows the U.S. average is 30, with states varying from 9 EVs per charger (Wyoming) up to 46 EVs per charger (New Jersey). Nearly half of the states are between 20 to 30 EVs per charger." *Get Connected, Electric Vehicle Quarterly Report, Third Quarter 2025*, All. For Auto. Innovation (Jan. 28, 2026), https://www.autosinnovate.org/posts/papers-reports/Get%20Connected%20EV%20Quarterly%20Report%202025%20Q3.pdf. Industry data from Fall 2025 shows that the number of public chargers represent just 17 percent of the number needed to support President Biden's 50% EV sales goal. "At the end of Q2 2025, there were about 218,000 public charging ports across the country and 6.5 million EVs on the road. Total installed public charging ports are about 17 percent of the estimated chargers needed to support 50% EV sales and 33 million EVs in operation by 2030. More than 1 million additional public chargers (906,670 L2 and 124,401 DC Fast) will need to be installed in the U.S. to support 33 million EVs in operation by 2030. This means that between the end of Q2 2025 and December 31, 2030, 513 chargers would need to be installed every day, for the next 5.5 years. Or 3.6 chargers every 10 minutes through the end of 2030." *Get Connected, Electric Vehicle Quarterly Report, Second Quarter 2025*, All. For Auto. Innovation (Oct. 1, 2025), https://www.autosinnovate.org/posts/papers-reports/Get%20Connected%20EV%20Quarterly%20Report%202025%20Q2.pdf.

[11] NADA analysis of Omdia data on U.S. BEV sales and sellers. *See* OMDIA (Jan. 2025), https://omdia.tech.informa.com/ (available upon request).

market share of sales had been cut in half to 5.9%[12] and EVs' market share reached a multi-year low.[13]

The expiration of the tax credits significantly weakened demand for new EVs, and unsold EVs accumulated on dealer lots. In November 2025, new EV days' supply soared to 149 days—up 42% year-over-year and up 80.2% month-over-month, marking the highest new EV inventory level since February 2024.[14] Projected demand is equally bleak: BloombergNEF forecasts a 15% contraction in the U.S. EV market in 2026.[15]

In response, automakers have begun aligning production with decreased demand, shuttering EV production and cancelling EV models—compelling signs that current CAFE standards are market-distorting and not economically practicable. Some major automakers have announced billions of dollars in write downs as they end some zero-emission vehicle (ZEV) and PHEV production and convert other EV production lines to gas-powered vehicles.[16]

C. Current Standards Do Not Conform to EPCA and Thus Exceed Achievable Fuel Economy Levels

As NHTSA has documented in its June 2025 interpretive rule and December 2025 notice of proposed rulemaking, EPCA prohibits NHTSA from considering the fuel economy of alternative fueled EVs and the electric-drive operation of PHEVs when setting CAFE standards.[17] These prohibitions were intended to incentivize the development and sale of alternative fuel vehicles

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[12] NADA analysis of Omdia data on U.S. BEV sales and sellers. *See* OMDIA (Jan. 2025), https://omdia.tech.informa.com/ (available upon request).

[13] EV Market Monitor – November 2025, COX AUTO. (Dec. 15, 2025), https://www.coxautoinc.com/insights-hub/ev-market-monitor-november-2025/.

[14] A. Parodi, *Global EV Sales Growth Slowest Since Feb. 2024 on China Plateau, US Policy Changes,* REUTERS (Dec. 11, 2025), https://www.reuters.com/sustainability/climate-energy/global-ev-sales-growth-slowest-since-feb-2024-china-plateau-us-policy-changes-2025-12-12/. EV Market Monitor – November 2025, COX AUTO. (Dec. 15, 2025), https://www.coxautoinc.com/insights-hub/ev-market-monitor-november-2025/.

[15] K. Stock, L. Pike & T. Woody, *Electric Vehicles Have a Bumpy Road Ahead in 2026,* BLOOMBERG NEWSLETTER GREEN DAILY (Jan. 6, 2026), https://www.bloomberg.com/news/newsletters/2026-01-06/electric-vehicles-have-a-bumpy-road-ahead-in-2026.

[16] In early January, General Motors announced it will take $7.1 billion in charges against its Q4 2025 hearings as it scales back its EV production capacity. Lindsey VanHulle, *GM to Take $7.1 Billion in Charges as It Adjusts EV Production Footprint*, AUTO. NEWS (Jan. 8, 2026), https://www.autonews.com/general-motors/an-gm-q4-earnings-charge-ev-capacity/. In December, Ford Motor Company said it would take $19.5 billion in charges as the company cuts its EV production and cancelling some electric vehicle models, including its F-150 Lightning electric pickup truck. Mike Colias, *Ford's $19.5 Billion EV Writedown: Five Things to Know,* REUTERS (Dec. 16, 2025), https://www.reuters.com/business/autos-transportation/fords-195-billion-ev-writedown-five-things-know-2025-12-16/. Stellantis in January announced its decision to end production of the plug-in hybrid Jeep Wrangler, Jeep Grand Cherokee, and Chrysler Pacifica due to waning customer demand and the need to focus on "more competitive electrified solutions" including hybrids. Michael Wayland, *Stellantis Scraps Jeep, Chrysler Plug-in Hybrid Vehicles Amid EV Slowdown, Recall,* CNBC (Jan. 9, 2026), https://www.cnbc.com/2026/01/09/stellantis-scraps-jeep-chrysler-phevs-amid-ev-slowdown-recall.html.

[17] 49 U.S.C. 32902(h).

like EVs: EPCA allows the sale of alternative fuel vehicles to be counted toward compliance but prohibits NHTSA from including them in its maximum feasibility analysis.

NHTSA previously recognized that Congressional intent on this subject could hardly be clearer. In a 2004 rulemaking extending alternative fuel vehicle incentives, the agency understood that Congress considered these incentives to manufacture alternative fuel vehicles so critical that members of Congress documented, in legislative history, how standard-setting should not negate those incentives by subsuming their fuel economy benefits into higher CAFE standards.[18]

NHTSA in 2004 quoted at length from the House debate on the Alternative Motor Fuels Act of 1988, in which Congress explained its intended treatment of the fuel economy of vehicles capable of running on fuel other than petroleum:

> A provision is included in the legislation to ensure that the incentives provided by this bill are not erased by the Secretary's setting the CAFE standard for cars or trucks at a level that assumes a certain penetration of alternative fueled vehicles. The conferees are aware that the statute requires CAFE standards to be set at the "maximum feasible" level, and that DOT traditionally has determined that level in connection with examining the individual fuel economy capabilities of the larger manufacturers. It is intended that this examination will be conducted without regard to the penetration of alternative fuel vehicles in any manufacturer's fleet, in order to ensure that manufacturers taking advantage of the incentives offered by this bill do not find DOT including those incentive increases in the manufacturer's "maximum fuel economy capability." This, of course, would wipe out the benefits associated with the increases if it resulted in commensurate increases in the CAFE standard. 134 CONG. REC. 8091 (1988).[19]

There are no caveats or exceptions to this prohibition—no basis in law or legislative history for the current CAFE standards to have considered EV fuel economy in some years and not others, as any effort to do so would undermine the well-documented aim of the ban: to incentivize—not mandate—the production of alternative fuel vehicles.

In directly factoring in the fuel economy of ZEVs and the electric drive operation of PHEVs when determining the baseline underpinning its "maximum feasible" analysis, NHTSA's 2024 final rule violated EPCA.[20] As a result, NHTSA distorted the fuel economy standards, pushing

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[18] Automotive Fuel Economy Manufacturing Incentives for Alternative Fueled Vehicles, 69 Fed. Reg. 7689, 7691 (Feb. 9, 2004) (to be codified at 49 C.F.R. pt. 538), https://www.govinfo.gov/content/pkg/FR-2004-02-19/pdf/04-3595.pdf. The ban on considering alternative fuel vehicles was adopted as an amendment to EPCA under the Alternative Motor Fuels Act of 1998, originally covering alcohol- or natural gas-powered vehicles. The exclusion was later expanded to include electric vehicles in the Energy Policy Act of 1992.

[19] Automotive Fuel Economy Manufacturing Incentives for Alternative Fueled Vehicles, 69 Fed. Reg. 7689, 7691 (Feb. 9, 2004) (to be codified at 49 C.F.R. pt. 538), https://www.govinfo.gov/content/pkg/FR-2004-02-19/pdf/04-3595.pdf.

[20] The factors to be considered in this "maximum feasible" analysis are defined by EPCA and codified at 49 U.S.C. 32902(f), which requires the Secretary of Transportation to consider "technological feasibility, economic practicability, the effect of other motor vehicle standards of the Government on fuel economy, and the need of the United States to conserve energy." Per 49 U.S.C. 32902(h), EV fuel economy is one factor that U.S. DOT cannot include in this analysis.

them to levels beyond what could actually be achieved with traditional fuel vehicles, as automakers have asserted[21] and NHTSA now recognizes.[22] In much the same way, the 2024 final rule improperly inflated the maximum fuel economy calculation by including the zero-emission vehicle sales mandates adopted by California and the Section 177 states.[23]

NHTSA's new proposed rule appropriately remedies these errors. In doing so, the proposal does not artificially inflate the standards baseline and thus the calculation of the maximum feasible fuel economy can be achieved with internal combustion engines only. These corrections are key to preserving the benefits of voluntary incentives to produce EVs, consistent with Congressional intent.

II. NHTSA's Proposed Standards Would Lower the Price of a New Vehicle

One of the most damaging effects of NHTSA's improper consideration of EV fuel economy and state EV mandates has been to drive up the price of new vehicles. The agency's new proposed standards would meaningfully reduce manufacturers' compliance costs, lower the price of a new vehicle, and bring much-needed relief to new car buyers.

A. OEMs' Forced Reliance on EVs Burdened Consumers with Higher Vehicle Prices

The cost of car ownership in the U.S. has risen significantly since 2020, with some studies showing increases over 40% through November 2025, outpacing the Consumer Price Index.[24] Automobile costs are also increasing as a percentage of U.S. household expenses,[25] and transportation is now the second-largest household expense after housing.[26] These cost impacts

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[21] In its statement at NHTSA's January 7, 2026, public hearing on the SAFE III NPRM, the Alliance for Automotive Innovation characterized the current CAFE standards as extremely challenging and explained how, in the first year of the current standards, 14 of the 18 automakers selling conventional ICE engines had a combined passenger car and light truck average fuel economy that was lower than NHTSA's combined standard. *Public Hearing: Corporate Average Fuel Economy Standards*, Nat'l Highway Traffic Safety Admin. (Jan. 7, 2026) (Testimony of Michael Hartrick, Alliance for Automotive Innovation).

[22] For example, "NHTSA has determined that credit trading between manufacturers has become necessary in recent years due to standards that are unattainable by manufacturers with diversified powertrain technologies." Resetting the Corporate Average Fuel Economy Program, 90 Fed. Reg. 24518, 24524 (June 11, 2025) (to be codified at 49 C.F.R. pts. 531, 533, 535), https://www.govinfo.gov/content/pkg/FR-2025-06-11/pdf/2025-10586.pdf.

[23] Under Section 177 of the Clean Air Act, (codified at 40 U.S.C. 7507), several other states have adopted California's EV mandates.

[24] *Navy Federal's COCO Index Reveals Increased Car Ownership Costs Ahead of Holiday Season,* NAVY FED. CREDIT UNION (Nov. 20, 2025), https://www.navyfederal.org/about/press-releases/2025-press-releases/car-ownership-costs-increased-ahead-of-holiday-season.html.

[25] *New Report Reveals the Cost of Car Ownership in the U.S.: Households Now Spending $6,900 Annually,* BUSINESSWIRE (Sept. 16, 2025), https://www.businesswire.com/news/home/20250916133364/en/New-Report-Reveals-the-Cost-of-Car-Ownership-in-the-U.S.-Households-Now-Spending-%246900-Annually.

[26] P. Jaijongkit, *Is Transportation a Top Household Expense in the US?,* THE COLORADO SUN (Apr. 28, 2025), https://coloradosun.com/2025/04/28/is-transportation-a-top-household-expense-in-the-us/.

are more acute with electric vehicles, which carry a purchase price around $9,000[27] more than ICE vehicles.

Under pressure from the overly aggressive CAFE standards, manufacturers were left with few options. The rules all but required greater production of pricey EVs than consumers wanted or could afford to buy, compounding affordability concerns for American families.

With November 2025 sales hitting a new record high average transaction price of $49,814 and the average EV sales price at $58,638, more Americans than ever are being priced out of the new vehicle market.[28]

B. Consumers' Affordability Concerns Outweigh Demand for Electric Vehicles

As reflected in NADA comments to EPA[29] and NHTSA[30] on past rulemakings, NADA's economic analysis explained how the agencies erred in assessing the costs and benefits to consumers for improvements in emissions and fuel economy, masking the true extent of the costs to consumers from these regulatory actions.

The current CAFE standards undervalue features that customers are willing to pay for, like safety, performance, and durability, and they misjudge consumer willingness to pay higher upfront costs for future fuel savings. In formulating those standards, NHTSA assumed that vehicle buyers only valued 25 to 30% of fuel savings when choosing among various models.[31] NHTSA long assumed there was some form of market failure that prevented buyers from rationally taking long-term fuel savings into account at the time of purchase, and the agency adjusted its model to include a larger fuel savings benefit. As a result, NHTSA failed to recognize that consumers are often unwilling or unable to pay the higher costs of EVs—even factoring in fuel economy differences from ICE vehicles—and thus the agency set CAFE standards at a level the market could not bear.

NADA welcomes the agency's reassessment of how consumers value fuel economy (among the many factors consumers consider) when making a new car purchase. This new agency analysis aligns with years of data from NADA's own new car buyer research. In rejecting its previous market failure argument, NHTSA concluded that "a more convincing explanation for buyers' apparent reluctance to choose vehicle models whose higher fuel economy would repay initial

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[27] EV Market Monitor – November 2025, COX AUTO. (Dec. 15, 2025), https://www.coxautoinc.com/insights-hub/ev-market-monitor-november-2025/.

[28] *Kelley Blue Book Report: As Affluent Households Drive the Auto Market, November New-Vehicle Prices Hold Near $50,000*, COX AUTO. (Dec. 9, 2025), https://www.coxautoinc.com/insights-hub/nov-2025-atp-report/.

[29] Nat'l. Auto. Dealers Ass'n, Comment Letter on Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light- and Medium-Duty Vehicles (July 5, 2023), https://www.regulations.gov/comment/EPA-HQ-OAR-2022-0829-0656.

[30] Nat'l Auto. Dealers Ass'n, Comment Letter on Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027-2032 and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030-2035 (Oct. 16, 2023), https://www.regulations.gov/comment/NHTSA-2023-0022-58200.

[31] *Preliminary Regulatory Impact Analysis, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., p. 2-3 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-PRIA-tag.pdf.

price premiums is that consumers instead prefer to pay for other features—safety, comfort, performance, or carrying capacity. Sacrificing features many buyers value more highly than further increases in fuel economy reduces the attractiveness of these models."[32]

NADA's data backs up that position. Relying on our Strategic Vision New Vehicle Experience Survey,[33] NADA has identified the most important factors in customers' new car decision making. Vehicle attributes such as overall vehicle performance, durability, safety, and exterior styling all rank higher than fuel economy among the top ten most important purchase reasons for new vehicle buyers. While many consumers do value fuel economy, it is not the most important purchase reason. As shown in Table 1, fuel economy ranks near the bottom of the Top 10 list, at number eight.

Table 1: Top 10 Most Important New-Car Purchase Reasons[34]

	Share of Total Respondents N = 92,555
1. Value - Overall value for the money	9.8%
2. Other - Experience with brand	9.4%
3. Performance - Overall driving performance	6.6%
4. Value - Price/deal offered	5.6%
5. Design and Construction - Overall impression of durability/reliability	4.4%
6. Design and Construction - Overall safety of the vehicle	4.2%
7. Exterior - Overall exterior styling	4.0%
8. Other - Gas or electric mileage (fuel economy)	3.8%
9. Other - Overall vehicle image	3.3%
10. Other - Fun to drive	3.3%

Ranked at number 1 and number 4, respectively, are "Value - Overall value for the money" and "Value - Price/deal offered." The high ranking of these two value-focused factors on the list suggests that consumers are sensitive to vehicle price and care more about the upfront price of the vehicle than potential fuel economy benefits over the life of the vehicle.[35] The data

[32] *Preliminary Regulatory Impact Analysis, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., p. 2-4 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-PRIA-tag.pdf.

[33] The Strategic Vision New Vehicle Experience Survey solicits information from new vehicle buyers after their purchase and collects information including the make, model, and powertrain of the customer's new vehicle as well as the vehicle disposed of in the trade. Demographic data, dealership experience data, and reasons why a particular vehicle was chosen are also collected among 450 data points. *New Vehicle Experience Study*, STRATEGIC VISION (last visited Jan. 27, 2026), https://www.strategicvision.com/nves.

[34] 2024 New Vehicle Experience Survey, STRATEGIC VISION (last visited Jan. 27, 2026), https://www.strategicvision.com/nves.

[35] In the proposed rule, NHTSA also appropriately acknowledges that "[o]bserved behavior also shows that consumers prefer vehicles with fuel economy technologies added only if fuel savings exceed the technology costs

underlying NHTSA's current proposal aligns with NADA's actual consumer data on the factors that govern new vehicle purchases. Reliance on sound data can eliminate the cost/benefit distortions in NHTSA's prior regulatory assessments to yield savings for new car buyers.

III. Lowering the Purchase Price of a New Vehicle will Speed Turnover to a Cleaner, Safer Vehicle Fleet

The new proposed standards yield year-over-year fuel economy improvements that are achievable by manufacturers producing vehicle fleets U.S. consumers want to buy. In restoring consumer choice, these economically practicable standards will lower new vehicle purchase prices, increase the number of households that can afford to buy a new vehicle and thereby increase turnover to a cleaner and safer vehicle fleet.

A. Lower Compliance Costs Will Drive Down Vehicle Prices and Increase Sales

NADA supports sound policies that lower the transaction price of a new vehicle. NHTSA estimates the proposed standards will reduce manufacturers' compliance costs and thus the average vehicle transaction price by about $1,000.[36] Policies that successfully lower the new vehicle average transaction price will significantly expand the pool of available households that can afford to purchase a new vehicle of any propulsion/fuel type.

In its Preliminary Regulatory Impact Analysis (PRIA), NHTSA estimates that under the new rules, "per-vehicle costs paid by consumers for new vehicles would be reduced by $925 in MY 2031, on average, compared to the No-Action Alternative." [37] Per longstanding assumptions in NHTSA's CAFE model, these savings accrued by the OEMs will be fully passed along to consumers in the form of lower vehicle prices. In a fact sheet available on the DOT website, NHTSA states that the new CAFE standards will deliver savings of $1,000 on the average cost of a new car.[38] This is a meaningful price reduction and will likely lead to increased new vehicle sales at the margin.

NADA has calculated the potential increase in new vehicle sales as a result of the lower CAFE standards proposed by NHTSA. NHTSA uses a price elasticity of new vehicle demand of -0.4.[39] NADA supports NHTSA's choice of this price elasticity as it is in line with the current literature

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within a fairly short period, despite the fact that estimated lifetime fuel costs are conspicuously printed on the Monroney window sticker." The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks, 90 Fed. Reg. 56438, p.56514 (proposed Dec. 5, 2025) (to be codified at 49 C.F.R. pts. 523, 531, 533, 536, 537), https://www.govinfo.gov/content/pkg/FR-2025-12-05/pdf/2025-22014.pdf.

[36] *Freedom Means Affordable Cars*, Nat'l Highway Traffic Safety Admin. (Dec. 2025), https://www.transportation.gov/sites/dot.gov/files/2025-12/CAFE%20Fact%20Sheet.pdf.

[37] *Preliminary Regulatory Impact Analysis, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., p. 1-3 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-PRIA-tag.pdf.

[38] We assume the $925 in regulatory cost savings has been rounded up to $1,000 for the fact sheet, and we assume $1,000 of cost savings in these comments.

[39] The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks, 90 Fed. Reg. 56438, p.56505 (proposed Dec. 5, 2025) (to be codified at 49 C.F.R. pts. 523, 531, 533, 536, 537), https://www.govinfo.gov/content/pkg/FR-2025-12-05/pdf/2025-22014.pdf.

and is similar in magnitude to the price elasticity that NADA cited in comments on the EPA's proposed rule concerning greenhouse gas emission standards in September 2025.[40] At the current average transaction price of $49,814 and a total industry sales volume of 16 million units for 2025, a $1,000 reduction in price **should lead to an additional 130,000 new light-vehicle sales.** Table 2 documents this calculation. NADA's most recent new vehicle average transaction price is $49,814. At that price, there are 51.9 million households that could afford to purchase a new vehicle, given the set of assumptions referenced in the table. In this example, a policy that reduces the new vehicle average transaction price by roughly $1,000 **adds an additional 2.6 million U.S. households who can afford to purchase a new vehicle.**

Table 2: Share of Households that Can Afford New Vehicles: Two Price Points[41]

	KBB New Vehicle Average Transaction Price	$1,000/Car Price Savings Relative to Average Transaction Price
Car Price	$49,814	$48,814
Average Interest Rate	6%	6%
Average Loan Term (months)	69	69
20% Down Payment	$9,963	$9,763
Loan Amount	$39,851	$39,051
Monthly Payment	$684	$669
Monthly Take Home Pay Necessary for 10% of Take-Home Income	$6,843	$6,690
Annual Take Home Pay Necessary	$82,118	$80,280
Assume Americans Pay 27% of Their Income in Taxes to Derive Gross Income	$112,491	$109,973
Share of U.S. Households That Can Afford	38.47%	40.37%
Number of Households that Can Afford	51,856,000	54,418,000
Total Households	134,800,000	134,800,000

As described above, the expected new-car price decrease should lead to more households being able to afford to purchase the average new vehicle. In turn, lower purchase prices will increase the likelihood that those households will be able to qualify for new vehicle financing. Lenders consider loan-to-value (LTV) ratios when making lending decisions. All else equal, a lower loan amount would reduce the LTV amount for a consumer. A lower LTV can result in lower interest rates, higher loan approval chances, and lower down payment requirements.[42] Since consumers will no longer be forced to pay for higher fuel economy in the form of a higher upfront cost, they receive the benefit of a higher likelihood of securing financing and a higher likelihood that the financing terms will be improved relative to the no action outcome of the CAFE standards. Consumers may choose to use any additional cost savings from the lower regulatory cost and

[40] Nat'l Auto. Dealers Ass'n, Comment Letter on Reconsideration of 2009 Endangerment Finding and Greenhouse Gas Vehicle Standards (Sept. 22, 2025), https://www.regulations.gov/comment/EPA-HQ-OAR-2025-0194-0848.

[41] Sources: U.S. Census Bureau, NADA, Kelly Blue Book, November 2025 data.

[42] *What Is Loan-to-Value (LTV) Ratio and Why Does It Matter?*, SBG FUNDING (last updated Feb. 26, 2025), https://sbgfunding.com/loan-to-value-ltv-ratio-explained/.

more favorable financing terms to purchase additional vehicle features which they may not have been able to afford before the reduction in regulatory costs.

NADA is pleased NHTSA now recognizes that reliance on a total cost of ownership "payback" cost/benefit analysis is flawed, because new vehicle purchasers, the majority of which finance their purchase, receive no financial benefit from the lender for future fuel savings. Lenders are not willing to increase the amount of credit extended to enable the borrower to pay for a more expensive vehicle offering higher fuel economy but a potentially lower cost of ownership. As NADA has documented in prior comments, increases in vehicle prices due to fuel economy standards hurt consumers' ability to purchase vehicles without any offset for lower total cost of ownership.[43]

B. Vehicles Are Continually Built To Be Safer

The costs to comply with economically impracticable fuel economy standards inflate vehicle prices, slowing the purchase of new vehicles and the retirement of older ones. Industry data supports this observation. Americans have been holding onto their vehicles for longer than ever. The average fleet age has reached a record 12.8 years, as high new-vehicle average prices have pushed consumers to keep older vehicles running longer.[44] But safety risk grows as vehicles age. NHTSA's data shows that occupants of a 15-year-old vehicle are 23% more likely to be severely injured in crashes than occupants of new vehicles.[45]

Meanwhile, over the years, manufacturers have continued to add an impressive range of innovative technologies to improve the safe operation of vehicles and to enhance occupant protection. Risky driver behavior remains the largest single factor influencing crashes on U.S. roadways,[46] but continued developments in vehicle safety technology like advanced airbags, blind spot warning systems, rear-facing cameras, and Advanced Driver Assistance Systems (ADAS) have, by NHTSA's count, saved hundreds of thousands of lives since 1960.[47] As a result, "new vehicles have become consistently safer over time."[48] Thus, NHTSA finds, "a delay

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[43] Nat'l Auto. Dealers Ass'n, Comment Letter on CAFE Standards for Passenger Cars and Light Trucks for Model Years 2027-2032 and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030-2035 (Oct. 16, 2023), https://www.regulations.gov/comment/NHTSA-2023-0022-58200.

[44] T. Campau, *Average Age of Vehicles in the US Rises to 12.8 Years in 2025*, S&P GLOBAL MOBILITY (May 21, 2025), https://www.spglobal.com/automotive-insights/en/blogs/2025/05/average-age-of-vehicle-in-us.

[45] *Draft Technical Support Document, The Safer Affordable Fuel-Efficient (SAFE) III Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks,* NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., Chapter 7 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-TSD-tag-v2.pdf.

[46] "In 45% of fatal crashes, the drivers of passenger vehicles were engaged in at least one of the following risky behaviors: speeding, alcohol impairment, or not wearing a seat belt." *NHTSA Releases 2020 Traffic Crash Data*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN. (Mar. 2, 2022), https://www.nhtsa.gov/press-releases/2020-traffic-crash-data-fatalities.

[47] *How New Vehicle Safety Has Improved Over the Decades*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN. (last visited Jan. 27, 2026), https://www.nhtsa.gov/how-vehicle-safety-has-improved-over-decades.

[48] *Draft Technical Support Document, The Safer Affordable Fuel-Efficient (SAFE) III Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks,* NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., Chapter 7 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-TSD-tag-v2.pdf.

in fleet turnover resulting from higher vehicle prices affects safety by slowing the penetration of new safety technologies into the fleet." [49]

NADA's own analysis supports this fleet turnover finding. As explained in Section III.A. above, the estimated decrease in vehicle purchase prices due to NHTSA's revised CAFE standards will make new vehicles affordable for an additional 2.6 million American families. In lowering the CAFE standards to a feasible and economically practicable level, NHTSA's rulemaking could help speed the adoption of vehicles with the latest safety technologies into the U.S. fleet.

IV. Conclusion

To ensure the price of new vehicles is manageable for more American families—and to expand consumer access to the industry's latest safety and performance features—NADA supports a stable and balanced regulatory environment for the U.S. auto industry with a single national set of feasible and practicable vehicle emissions standards. NHTSA's proposed reset of CAFE standards would remove the overly aggressive rules of the prior administration that sought to push consumers to unaffordable EVs by factoring in EV fuel economy in the standards baseline, contrary to EPCA. In their place, NHTSA proposes standards that enable manufacturers to build vehicles consumers want and can afford, while ensuring year-over-year improvements in fuel economy. These rules will lower the purchase price of a new vehicle and increase turnover to a cleaner and safer vehicle fleet. NADA supports these proposed standards.

Respectfully submitted,

Patricia H. Doersch
Senior Director, Regulatory Affairs

Enclosure: NADA Testimony at January 7, 2026, NHTSA Public Hearing on Corporate Average Fuel Economy Standards

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See also *How New Vehicle Safety Has Improved Over the Decades*, NAT'L HIGHWAY TRAFFIC SAFETY ADMIN. (last visited Jan. 27, 2026), https://www.nhtsa.gov/how-vehicle-safety-has-improved-over-decades.

[49] *Draft Technical Support Document, The Safer Affordable Fuel-Efficient (SAFE) III Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks,* NAT'L HIGHWAY TRAFFIC SAFETY ADMIN., Chapter 7 (Dec. 2025), https://www.nhtsa.gov/sites/nhtsa.gov/files/2025-12/CAFE-SAFE-MY-2022-2031-NPRM-TSD-tag-v2.pdf.

TESTIMONY OF NATIONAL AUTOMOBILE DEALERS ASSOCIATION
BEFORE THE U.S. DEPARTMENT OF TRANSPORTATION,
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
ON THE NOTICE OF PROPOSED RULEMAKING
"THE SAFER AFFORDABLE FUEL-EFFICIENT (SAFE) VEHICLES RULE III FOR
MODEL YEARS 2022 TO 2031 PASSENGER CARS AND LIGHT TRUCKS"
JANUARY 7, 2026

I speak today on behalf of the National Automobile Dealers Association. NADA represents over 16,000 franchised dealers in communities across the U.S. who sell, finance, and service new and used vehicles.

We thank Secretary Duffy and Administrator Morrison for proposing essential relief from the unrealistic CAFE rules in place today, which have forced fuel choices on American consumers and inflated vehicle prices. When adopted, those standards were not aligned with any reasonable expectation of consumer demand for electric vehicles. Since then, the end of federal EV tax credits and waning consumer demand for EVs have put those standards even further out of reach.

America's auto dealers support year-over-year fuel economy improvements that can be met with technologies consumers want and can afford.

With the average-priced new vehicle beyond the budget of many U.S. households, auto dealers are committed to improving vehicle affordability. The current CAFE standards undervalue features that customers are willing to pay for, like safety, performance, and durability, and they misjudge consumer willingness to pay higher upfront prices for future fuel savings. So we support NHTSA's intention to better align fuel economy standards with market realities and consumer choice.

In this comprehensive re-set of the standards, NHTSA has proposed several corrective actions to conform its fuel economy regulations to statutory requirements, such as by excluding electric vehicles and state-level EV sales mandates from the standards baseline. NHTSA estimates these and other changes will meaningfully lower OEMs' compliance costs, which could translate into lower new-vehicle purchase prices for consumers.

With a reduction in the transaction price, more consumers would likely be able to afford a new model. And as manufacturers continue to add modern safety technologies and advanced features in new vehicles, lower vehicle transaction prices would drive a faster turnover to a cleaner and safer vehicle fleet.

As NHTSA finalizes new CAFE standards, keep in mind that regulatory uncertainty carries costs of its own that are ultimately borne by consumers. To keep the price of a new car manageable for more American families – and to expand consumer access to the industry's latest safety and performance features – NADA supports a stable and balanced regulatory framework for the U.S. auto industry.

Thank you for this opportunity to share our views in today's public hearing.