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Auto dealers say fuel-economy regulations may hurt sales

By Bloomberg News Service



Raising federal fuel-economy standards to 60 miles per gallon by 2025 may force automakers to produce cars that consumers don't want, the head of an auto dealers group said.

"Sixty miles per gallon has a nice ring to it — it's the kind of number you can get your arms around," Ed Tonkin, chairman of the **National Automobile Dealers Association**, said today during a speech in Detroit.

"But reasonable people agree it's a stretch, and it will be costly. And no one knows whether it's even doable."

The **Environmental Protection Agency** is starting to write the rules that will govern mileage and emissions through 2025 and asked for input on the fuel-economy rules. The most recently completed mileage rules, called Corporate Average Fuel Economy regulations, require automakers average 35.5 mpg across their fleets by 2016.

Hybrid-electric technology makes cars \$5,395 more expensive, on average, Tonkin said, citing the association's estimates. With gasoline at \$3 a gallon, someone who drives 40 miles a day would need about eight years to make up that difference in savings at the pump, he said in the speech to the **Automotive Press Association**.

"What about unintended consequences," said Tonkin, who also is vice president of **Ron Tonkin Dealerships** in Portland, Ore. "Will it create a 'jalopy effect,' where owners decide to keep their old cars and trucks instead of paying a premium for higher MPG vehicles?"

Tight credit conditions, declining investment returns, falling home-equity values and the retirement of baby boomers will have a larger effect on auto sales than new fuel-economy standards, said James Hall, principal of **2953 Analytics Inc.**, an auto industry consulting firm based in Birmingham.

"The economics of the world we're in are far more significant than what CAFE will do to sales," Hall said. "Consumers are putting off purchases for economic reasons and finding out they really don't need to buy a new car."

Car buyers will get a faster return on the extra cost of the technology as fuel prices rise higher than \$3 a gallon, said Dan Becker, director of the **Safe Climate Campaign**, a Washington group that advocates for policies to reduce emissions of greenhouse gases.

"The technology does cost more, but it saves more money at the pump," Becker said.

Advanced technologies such as electric cars are only affordable for some consumers because of government subsidies, Tonkin said.

"The risk is, if these fuel-economy regulations are overly aggressive, it will price Americans out of the market," Tonkin said.