

AUTOMAKERS AND DEALERS CITE FEDERAL LAW, MARKETPLACE PRINCIPLES IN CHALLENGING CARBON DIOXIDE LAW

Washington, DC -- The Alliance of Automobile Manufacturers today announced that it has joined a group of automobile dealers in California's Central Valley to challenge regulation of motor vehicle fuel economy under California's greenhouse gas law.

"Federal law is designed to ensure a consistent fuel economy program across the country," said Fred Webber, president & CEO, Alliance. "There's a better way to improve fuel economy than this regulation, such as providing consumer tax incentives for the purchase of our new advanced technology vehicles."

The Alliance cited five principles that guide its legal challenge, as well as any future regulation of fuel economy:

- **Principle #1: Regulators must follow the law.**

Federal law grants sole authority to the National Highway Traffic Safety Administration (NHTSA) to set a uniform, national fuel economy standard. Only a national standard that can flexibly accommodate the diverse needs and demands of the American public makes sense. Consumers would suffer higher prices and severely restricted choice of vehicles if each state were deciding for itself which new vehicles ought to be produced and sold.

Automakers and dealers filed their challenge in the U.S. District Court in Fresno, California.

- **Principle #2: Fuel economy should continually improve, but it must be balanced with safety, jobs and other concerns.**

Carbon dioxide and fuel economy are synonymous. In fact, the U.S. Environmental Protection Agency measures carbon dioxide to determine the fuel efficiency labels on new vehicles. But Congress gave exclusive authority to NHTSA to set the maximum feasible fuel economy standards. To do this, NHTSA must balance technological feasibility, affordability, safety, emissions controls, consumer choice and effects on American jobs. The Alliance continues to work constructively with NHTSA to improve fleet fuel economy. Today, automakers offer for sale more than 30 vehicles that achieve more than 30 miles per gallon.

- **Principle #3: Consumer choice must be preserved with all consumer impacts considered.**

Under the greenhouse gas regulation, all Californians purchasing a new vehicle would pay significantly more than consumers in other states. When all costs are considered, not just those costs selected by regulators, Californians would pay an average of \$3,000 more for a new automobile and would never recoup those extra, up-front dollars through savings at the gas pump.

According to California new vehicle dealers, consumers could also expect to see fewer models on sales lots. Under this regulation, some models of vehicles would become rare or extinct. Some manufacturers may cease to produce certain classes of vehicles, such as full-size pickups with large engines suitable as work vehicles.

- **Principle #4: Regulations must be achievable, and regulations should provide social benefits worth their costs.**

The regulation outlines a theoretical vehicle never before built, and the automobile envisioned by regulators would not achieve the expected fuel efficiency.

If every automobile in California were eliminated, there would be no identifiable change in temperature or climate in the state. The regulation would only reduce greenhouse gases by 1/10 of 1% globally. Californians would see no health benefits from this regulation. The regulation only addresses carbon dioxide, not smog. Unlike smog, carbon dioxide poses no health hazard. Indeed, plant life needs carbon dioxide to live.

- **Principle #5: Advanced technology should be driven by consumer demand.**

There is a better way to improve fuel economy and develop new technology. Automakers are investing billions of dollars to develop and introduce new fuel-efficient automobiles with cutting-edge technologies like cylinder deactivation, hybrid-electric power trains, clean diesel, continuously variable transmissions, hydrogen

internal combustion engines, and fuel cells. Consumer tax incentives can help spur sales of these vehicles. It is imperative that these incentives are technology neutral. The government should not pick winners and losers, but rather let consumers and the marketplace choose which technologies make sense for them.

"This regulation is inconsistent with federal law, as well as fundamental principles for sound regulation of motor vehicles. It leaves us with no alternative but to join dealers in a legal challenge on behalf of automakers, dealers and consumers," said Webber.

The Alliance of Automobile Manufacturers is a trade association of nine car and light truck manufacturers including BMW Group, DaimlerChrysler, Ford Motor Company, General Motors, Mazda, Mitsubishi Motors, Porsche, Toyota and Volkswagen. One out of every 10 jobs in the U.S. is dependent on the automotive industry. No other industry is linked to so much U.S. manufacturing or generates more retail business and employment. For more information, visit www.autoalliance.org.

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