



## The Consumer's Truth

### Myths and Facts about American Consumers and Fuel Economy

*Manufacturer Myth – American consumers like gas guzzlers and are not interested in technology that will save them money and help the environment.*

**Consumer Fact – Fuel economy is one of the top concerns of drivers in the U.S.**

- Too-high fuel consumption ranked second in a list of all driver complaints gathered in a May 2003 J.D. Power and Associates poll.<sup>1</sup>
- Hummer owners, according to the same poll, ranked Hummers last in a list of 36 brands, registering almost twice as many complaints about their vehicles as did other owners, many of which concerned the Hummer's extremely low fuel economy.<sup>2</sup>

**Consumer Fact – The demand for hybrid-electric vehicles has been significantly underestimated by automakers.**

- Increased gas prices and general economic downturn are leading consumers to trade in their gas-guzzlers for more fuel-efficient vehicles.<sup>3</sup>
- The waiting lists at Honda and Toyota dealerships for hybrid vehicles are now up to 10 months long.<sup>4</sup>

**Consumer Fact – American consumers favor fuel economy increases and want to wean the U.S. off of foreign oil.**

- Sixty-one percent of Americans favor increasing the fuel efficiency requirements to 40 miles per gallon (mpg), even if it increased the price of cars.<sup>5</sup>
- Ninety-three percent of Americans believe the United States should require cars to get better gas mileage to reduce our dependence on foreign oil.<sup>6</sup>
- Sixty-one percent of labor union households agreed that "increasing fuel efficiency is the single most effective action that could reduce national dependence on foreign oil."<sup>7</sup>
- Eighty-one percent of consumers "approve of the government requiring car manufacturers to meet higher fuel efficiency standards than they do now."<sup>8</sup>

**Consumer Fact – American consumers want to save money at the pump, even if it costs them more money up front.**

- Seventy-six percent of pickup drivers favor increasing the fuel economy of pickups. An overwhelming 87 percent surveyed said that they would be willing to pay \$500 additionally for a higher-mileage pickup when told that they could expect to save \$2,000 worth of gasoline during the life span of their truck.<sup>9</sup>
- Sixty-one percent of Americans believe that greater conservation of energy supplies is an important piece of the solution to our energy problems.<sup>10</sup>

**Consumer Fact – American consumers will pay more for their vehicles because they value a cleaner environment and want to address global warming.**

- Sixty-three percent of Americans polled said they would be willing to pay 3 percent (or nearly \$900 on a \$30,000-vehicle) more for their sport utility vehicles in order to solve emissions problems stemming from their use.<sup>11</sup>

- Seventy-five percent of predominantly Republican and Independent voters in New Hampshire “favored increasing fuel economy to address global warming, even at an extra cost of \$300.”<sup>12</sup>

*Manufacturer Myth – The auto industry merely “follows the market” for SUVs.*

**Consumer Fact – The auto industry spends billions to advertise SUVs, which are by far their most profitable products.**

- During the last decade, automakers and their dealers spent *over \$9 billion* advertising SUVs. This ever-increasing expenditure rose nine-fold during that time, from \$172.5 million in 1990 to \$1.5 billion in 2000 – a rise that exceeds, in percentage, the growth of SUVs over the same period.<sup>13</sup>
- The auto industry spends more per year on advertising than any other industry in the United States – more than the next three biggest spenders (financial services, telecommunications, and national restaurant chains) combined.<sup>14</sup>
- For total advertising spending in 2001, the Big Three American automakers ranked #1 (General Motors), #3 (Ford), and #6 (DaimlerChrysler) among corporate spenders.<sup>15</sup>
- Per advertising dollar spent, the Big 3 have *three times the revenue of the other top ten spenders*, averaging \$42.30 for every ad dollar spent compared with \$13.67 for the other seven companies.<sup>16</sup>

**Consumer Fact - Manufacturers have a huge financial investment in the attempt to persuade consumers to purchase SUVs.**

- Cut-rate designs based on pickup truck chassis and low fuel economy requirements for SUVs generate very high profit margins for these “cash cows” of Detroit.
- While manufacturers make only a 3 percent profit on cars, they make 15 to 20 percent profit on SUVs.<sup>17</sup> This means that while manufacturers reap around \$1,500 profit for a compact sedan, they rake in about \$10,000 on SUVs.<sup>18</sup>
- SUV and pickup truck sales account for nearly all of the profits of the Big Three auto companies.<sup>19</sup> For example, in 2002 General Motors generated 90 percent of its profits from SUVs and pickups.<sup>20</sup>
- Domestic manufacturers were protected until the mid-1990s by a tariff which imposed costs on foreign manufacturers, discouraging the importation of SUVs and helping to create crucial leverage for Detroit in that market sector.
- The largest SUVs receive special breaks on key safety laws, helping to generate more profit. SUVs over 8,500 lbs. are held to a less protective side impact standard than applies to cars and need not meet any roof strength standard. In addition, the largest SUVs need not install new anchorage systems to accommodate child restraints.

**Consumer Fact – Special tax breaks for small businesses allow huge write-off’s for SUVs, further distorting the market and generating a false demand.**

- Thanks to the recent Bush tax cut, when businesses purchase an SUV (or other light truck) over 6,000 lbs., they can immediately deduct \$100,000 dollars, paying in full for every vehicle over 6,000 lbs. except the Hummer.
- These special interest tax breaks do not preclude businesses from taking the standard 20 percent deduction annually over five years.

- It is estimated that the original SUV tax break, which capped initial deduction at \$25,000, cost the federal government between \$840 million and \$987 million yearly, making it one of the biggest tax breaks, per capita, in the U.S.<sup>21</sup>

**Consumer Fact – Deceptive advertising about SUVs drives their popularity and misleads consumers about their safety.**

- Despite being marketed to consumers as rugged, go-anywhere vehicles, only 1 to 10 percent of SUV owners use their vehicles for off-road driving or towing.<sup>22</sup>
- Jeep Grand Cherokees, for example, were marketed with ads calling the vehicles “Still the best insurance policy ever” and touting their existence as “one of the safest 4x4s out there” with a “legendary four-wheel drive [that] shows no fear in the face of a blizzard [and a] braking system [that] helps you stop even when the rain or sleet or snow hasn’t.” Similar ad campaigns have been launched to hype most SUVs.<sup>23</sup>
- But J.C. Collins, Ford’s top marketing manager for SUVs said “[t]he only time those SUVs are going to be off-road is when they miss the driveway at 3 a.m.”<sup>24</sup>
- And Csaba Csere, the editor in chief for *Car and Driver* magazine said in interviews that “the bottom line is that, in every measurement of dynamic ability on pavement, cars outperform trucks,” effectively denying the myth that SUVs handle better than cars in the most common hazardous conditions.<sup>25</sup>
- In April 2003, 40 state Attorneys General called on SUV manufacturers to immediately stop their misleading advertisements claiming that SUVs have the same handling as passenger cars, or that SUVs can handle emergency procedures safely at fast speeds. The letter was one result of a \$51.5 million settlement with Ford over deceptive advertising of its Explorer.<sup>26</sup>

**Consumer Fact – The market does not always know best, and Congress has a responsibility to act for consumers to preserve other American values, such as reducing dependence on oil and asthma- and cancer-causing air pollution.**

- Passenger vehicles consume 8 million barrels of oil every day, constituting about 40 percent of all U.S. oil consumption.<sup>27</sup>
- Between 1990 and 1999 oil consumption in the U.S. rose 15 percent and American oil imports rose 40 percent. If that trend continues, by 2020 64 percent of oil used in the U.S. will be imported.<sup>28</sup>
- The U.S. currently spends almost \$200,000 per minute to purchase foreign oil.<sup>29</sup>
- U.S. passenger vehicles alone produce more carbon dioxide pollution than all but three countries worldwide (China, Russia, and Japan) – amounting to almost 5 percent of total worldwide CO<sub>2</sub> emissions.<sup>30</sup>
- Air pollution caused by cars and light trucks produce a literally breathtaking amount of U.S. air pollution, second only to electricity generation.<sup>31</sup>
- The shortsightedness of automobile manufacturers should not blind Congress to the right road. During the 1970’s oil crisis, the original fuel economy standards that had been strongly opposed by manufacturers, helped to save the industry from the onslaught of foreign competition during the 1979 oil crisis and the high interest rates that followed.

*Manufacturer Myth – Consumers currently have the right information to choose a vehicle that best suits their needs.*

**Consumer Fact – Manufacturers have long opposed point-of-sale labeling that would give consumers information about vehicle safety and efficiency and that would allow them to make a truly educated decision about which vehicle is best for them.**

- Currently consumers are provided, at the point of sale, with labels that explain the highway and city fuel economy estimates for each vehicle. Consumers are not, however, given point-of-sale, in-depth information about the safety hazards of the vehicles that they plan on purchasing even though that information is routinely gathered by both the National Highway Traffic Safety Administration (NHTSA) and manufacturers and NHTSA has authority to require them.
- Consumers savvy enough to navigate NHTSA's on-line information in the New Car Assessment Program (NCAP) are able to view some safety information on the select vehicle models tested each year by the agency. But many consumers have no access to the Internet or are unaware that the information exists. NHTSA's own research shows that only about 1.5 percent of consumers would consider researching auto safety issues by contacting a federal agency, while about half would think to request safety information from auto dealers, where there is no independent test information available.<sup>32</sup>

**Consumer Fact – Manufacturers oppose measures that would make vehicles safer, and continue in their attempts to keep such hazards a secret from the public.**

- Manufacturers have historically opposed safety standards, such as airbags and seatbelts, and they continue to hinder safety efforts through their opposition of measures to reduce rollovers, particularly in SUVs and light trucks, and roof crush standards that would help make rollovers more survivable.
- In 1994, pressure from the industry killed a federal minimum standard on rollover prevention, which would have saved thousands of lives. The key argument automakers used to kill the safety standard was the cost for an SUV-redesign. New data shows that SUV rollovers are now the leading cause of the increased death rates on U.S. highways.
- Ford imposed secret settlements on killed and injured plaintiffs in Ford Explorer cases throughout the 1990s and never told Federal safety regulators. At least 271 people died in Ford/Firestone crashes in the U.S. alone and over 700 were severely injured.
- General Motors successfully resisted a recall of 9 million C/K Pickups that had exploding gas tanks which have led to the fiery deaths of over 725 people. GM has reached 331 individual settlement agreements totaling \$495 million in payouts.<sup>33</sup>
- Automakers continue to press NHTSA to keep early warning safety defect information, a collection mandated by Congress in the TREAD Act of 2000, a secret from the public.<sup>34</sup> A decision is pending from the agency after heavy industry lobbying and threats of litigation.
- Making vehicles capable of reaching 140 miles per hour, twice the speed limit, increases incentives among young vulnerable drivers to speed and get involved in crashes and wastes fuel simultaneously.

*Manufacturer Myth – The explosion of SUV sales increases safety for everyone.*

**Consumer Fact – The rise in SUVs and other trucks has erased many of the gains made by decades worth of automobile safety improvements.**

- In a report on the risks of rollover crashes, NHTSA explains that, “the increase in light truck occupant fatalities accounts for the continued high level of overall occupant fatalities, having offset the decline in traffic deaths of passenger car occupants.”<sup>35</sup>
- New federal data shows that SUV and pickup truck rollover fatalities accounted for 53 percent of the increase in traffic deaths between 2001 and 2002.<sup>36</sup>
- Guardrails on many roads are too low to effectively protect SUV drivers, and will cost millions of dollars to upgrade.

*Manufacturer Myth – Increased CAFE standards will force consumers to drive “purple people eaters.”*

**Consumer Fact – Manufacturers have always “cried wolf” about their inability to make improvements in fuel economy.**

- Manufacturers made the same claims in the 1974 CAFE debates. Ford claimed that under the proposed standard they would only be able to produce “sub-Pinto sized vehicles.”<sup>37</sup> Daimler/Chrysler argued that the standards would lead to the outlawing of numerous engines and car models, in effect restricting the industry to produce only “sub compact size cars – or even smaller ones.”<sup>38</sup> And General Motors, calling CAFE “an unjustified interference with individual freedom,” claimed that their sales would be reduced to vehicles “smaller, lighter, and less powerful than today’s compact Chevy Nova.”<sup>39</sup>
- Regardless of these protests, manufacturers doubled the fuel economy of passenger vehicles between 1977 and 1990 and continue to make large and mid-sized vehicles.

**Consumer Fact – Obviously, this nightmarish world devoid of choices for consumers has never materialized.**

- A Department of Energy study showed that over 85 percent of fuel economy improvements were achieved through technology – not by weight reduction or a limit of vehicle choices.<sup>40</sup>
- Thanks to the reality of technological ingenuity, market dynamics and ever increasing competitiveness among manufacturers, consumers have more vehicle choices now than ever before.<sup>41</sup>

**Consumer Fact – Heavily marketed, highly profitable SUVs are the real people eaters.**

- SUVs are marketed with a kill-or-be-killed mentality, hyping the dangerous potential of SUVs to other motorists. The 1998 Lincoln Navigator was advertised as an “Urban Assault *Luxury* Vehicle” and recent Hummer campaigns have used menacing phrases such as “Teach cabbies some respect,” and “Threaten a man in a whole new way.”<sup>42</sup>
- And the high kill rate of SUVs makes their aggressiveness the major tragedy of today’s roadways. According to federal crash statistics, when an SUV hits the rear side of a passenger car, the driver of the passenger car is over 16 times more likely to die than the driver of the SUV.<sup>43</sup>
- One former NHTSA Administrator estimated in 1997 that the aggressive design of light trucks (a category including SUVs, pickup trucks, vans and minivans) has killed 2,000 additional people needlessly each year.<sup>44</sup>

## Endnotes

- <sup>1</sup> Hakim, Danny "Whether a Hummer or a Hybrid, the Big Complaint Is Fuel Use," *The New York Times*, May 7, 2003.
- <sup>2</sup> *Id.*
- <sup>3</sup> Vieth, Warren and Aparna Kumar, "Energy prices a drain on the economy: More layoffs, less consumer cash," *The Chicago Tribune* Tuesday, April 8, 2003.
- <sup>4</sup> Crudele, John, "High-Tech Engines Outgunning Mideast Politics" *The New York Post*, Tuesday, February 18, 2003.
- <sup>5</sup> Gallup Poll, for CNN/USA Today, September 11-15, 1992.
- <sup>6</sup> Gallup Poll, Conducted for Chicago Council on Foreign Relations, October 23-November 15, 1990.
- <sup>7</sup> Mellman Group poll, October 30, 2001.
- <sup>8</sup> Poll conducted for CBS and the New York Times, June 2001.
- <sup>9</sup> The Mellman Group polled 600 pickup owners in August of 2002 (two-third were Republicans or independents) Source: Union of Concerned Scientists website <http://www.ucsusa.org/news.cfm?newsID=303> visited January 3, 2003
- <sup>10</sup> Gallup Poll, May 7-9, 2001 (61 percent result achieved by adding the percentages of those who responded "More conservation" (47 percent) and those who responded "Both/Equally" (14 percent), referring to both "More conservation" and "More production").
- <sup>11</sup> Lou Harris, Conducted by Peter Harris Research Group, July 2001.
- <sup>12</sup> Zogby International poll, August 1999.
- <sup>13</sup> Bradsher, Keith, *High and Mighty: SUVs- The World's Most Dangerous Vehicles and How They Got That Way*, 2002, at 112.
- <sup>14</sup> *Id.* 112.
- <sup>15</sup> *AdvertisingAge's 100 Leading National Advertisers: 47<sup>th</sup> Annual Report*, June 24, 2002, at 3.

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### Top Ten Advertisers of 2001 and Revenue per Advertising Dollar Expenditure

2001 Rank	Advertiser	2001 Spending	Revenue per Advertising Dollar Expenditure
1	<b>General Motors</b>	<b>\$3,374,000,000</b>	<b>\$39.20</b>
2	Proctor & Gamble Co.	\$2,541,000,000	\$8.00
3	<b>Ford Motor Co.</b>	<b>\$2,408,000,000</b>	<b>\$44.97</b>
4	PepsiCo	\$2,210,000,000	\$8.20
5	Pfizer	\$2,189,000,000	\$9.10
6	<b>DaimlerChrysler</b>	<b>\$1,985,000,000</b>	<b>\$36.60</b>
7	AOL Time Warner	\$1,885,000,000	\$17.30
8	Phillip Morris	\$1,816,000,000	\$28.70
9	Walt Disney Co.	\$1,757,000,000	\$11.90
10	Johnson & Johnson	\$1,618,000,000	\$12.50

*AdvertisingAge's Revenue Per Advertising Dollar Expenditure* at <http://www.adage.com/page.cms?pageId=915>, visited February 19, 2003.

- <sup>17</sup> Hakim, Danny "Whether a Hummer or a Hybrid, the Big Complaint Is Fuel Use," *The New York Times*, May 7, 2003. Citation attributed to Michael Flynn, director of the University of Michigan Office for the Study of Automotive Transportation.
- <sup>18</sup> Ruane, Laura, "Land Rovers making inroads in Lee County," *News-Press*, Tuesday, April 22, 2003.
- <sup>19</sup> Hakim, Danny, "Ford Will Phase Out the Taurus and Replace It With 3 Vehicles," *The New York Times*, April 16, 2003.
- <sup>20</sup> Welch, David, "The Sun is Setting on 'Truckish' Sport-Utes," *BusinessWeek*, Monday, May 5, 2003.
- <sup>21</sup> See Hakim, Danny, "Generous Tax Breaks for Some SUV Buyers Upset Environmental Groups," *The New York Times*, Dec. 20, 2002.

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- <sup>22</sup> See Bradsher, Keith, *High and Mighty: SUVs- The World's Most Dangerous Vehicles and How They Got That Way*, 2002, at 112-113, and see Hakim, Danny "Whether a Hummer or a Hybrid, the Big Complaint Is Fuel Use," *The New York Times*, May 7, 2003.
- <sup>23</sup> *Id.* at 127.
- <sup>24</sup> Bradsher, Keith, *High and Mighty: SUVs- The World's Most Dangerous Vehicles and How They Got That Way*, 2002, at 113.
- <sup>25</sup> *Id.* at 142.
- <sup>26</sup> <http://myfloridalegal.com/newsrel.nsf/newsreleases/4997F73518725EF685256D110059DC01?OpenDocument>
- <sup>27</sup> Natural Resources Defense Council at: <http://www.nrdc.org/breakthechain/chained.asp>
- <sup>28</sup> *Id.*
- <sup>29</sup> *Id.*
- <sup>30</sup> Sierra Club [http://www.sierraclub.org/globalwarming/cleancars/cafe/briefing\\_book.pdf](http://www.sierraclub.org/globalwarming/cleancars/cafe/briefing_book.pdf)
- <sup>31</sup> *Id.*
- <sup>32</sup> NHTSA, *Status Report for Rollover Prevention and Injury Mitigation*, Docket No. 91-68, 11 (May 1996). The report indicates that a 1995 Customer Satisfaction Survey reflected that less than 50 percent of the people surveyed would go to the auto dealer for information. Seventy-six percent of the people polled considered safety to be an important factor. However, less than 50 percent of the total population polled said they would request information from the dealer. Only 60 out of 4,000 people said they would contact a federal agency for auto safety information.
- <sup>33</sup> Levin, Myron, "GM Paid \$495 Million in Suits," *The Los Angeles Times*, May 7, 2003 and Myron Levine, "A history of Fiery Deaths on the Road Facing lawsuits," *The Los Angeles Times*, April 29, 2001.
- <sup>34</sup> For more information see: <http://www.citizen.org/autosafety/tread/>
- <sup>35</sup> National Center for Statistics and Analysis, *Characteristics of Rollover Crashes*, April 2002, at 13.
- <sup>36</sup> National Center for Statistics and Analysis, *2002 Early Assessment of Motor Vehicle Traffic Crash Fatality and Injury Estimates for 2002*, April 2003, at 52.
- <sup>37</sup> Ford Motor Company Statement on S. 1903, Hearing on Energy Conservation Working Paper Before the Senate Committee. on Commerce, 93<sup>rd</sup> Cong. 2<sup>nd</sup> Session. at 117.
- <sup>38</sup> S. 1903, testimony of Alan G. Loofbourrow, Vice President Advance Product and Operations Planning, Chrysler Motors Corporation at 141.
- <sup>39</sup> Address of E.M. Estes, president, General Motors Corporation, to the Detroit Rotary Club, "Congressional Emission Proposals Endangering Promised Auto Mileage Gains, GM's Estes Warns," *The Oil Daily*, Oct. 3, 1975 at 6, (discussing a possible mandated fuel economy of 28 mpg).
- <sup>40</sup> Ann Mesnikoff, Testimony before the Senate Committee on Commerce, Science, and Transportation, December 6, 2002, Washington, DC.
- <sup>41</sup> Hakim, Danny "Whether a Hummer or a Hybrid, the Big Complaint Is Fuel Use," *The New York Times*, May 7, 2003.
- <sup>42</sup> *The New York Times*, advertisement July 6, 1997. *The New Yorker*, advertisement September 9, 2002. Hummer promotional website at <http://www.hummer.com/hummerjsp/world/tv/index.jsp>.
- <sup>43</sup> Jeffrey W. Runge, M.D., NHTSA Administrator, "Meeting the Safety Challenge" at the Automotive News World Congress, Dearborn, Michigan, Jan. 14, 2003.
- <sup>44</sup> See Bradsher, Keith, *High and Mighty: SUVs- The World's Most Dangerous Vehicles and How They Got That Way*, 2002, at 193 (referring to Joksche, Hans C., "Vehicle Design versus Aggressivity," (Apr. 2000), DOT HS 809 194, at 40-42).