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Junk Math: How Public Interest Protection Opponents Count Costs and Ignore Benefits

Opponents of public health, environmental and public interest protections routinely complain about the high costs of such rules. Calculations of cost are typically inflated, but perhaps even more consequential is that benefits, including straight monetary benefits, are routinely ignored. A recent Heritage Foundation brief, “Red Tape Rising: Obama’s Torrent of New Regulation” is a case in point. The brief claims that 43 federal rules issued in FY2010 will cost \$26.5 billion, but fails to acknowledge any benefits.¹

More than a third of the Heritage Foundation’s cited \$26.5 billion is attributable to new fuel economy standards (\$10.8 billion over a 5-year period). Until we transition to electric cars, improved fuel economy is one of the most vital means available of reducing carbon pollution and combating climate change. But improved fuel economy is a clear winner for Americans without even tallying the carbon-reducing benefits. Consumers will save far more on gasoline than they may pay in increased vehicle prices.

The Overwhelming Benefits of Fuel Economy Regulations

Heritage Foundation claims that federal fuel economy regulations signed into law by President George W. Bush and implemented by the Obama Administration constitute a burdensome cost to the economy are false. The federal Corporate Average Fuel Economy (CAFÉ) program – in place since 1975 - has been remarkably successful requiring manufacturers to supply Americans with safer, more fuel efficient vehicles. These more efficient vehicles have saved motorists billions of dollars and reduced our need to import millions of barrels of oil. With crude oil now hovering at \$90 a barrel, the Bush Administration initiative to reduce our reliance on oil and save consumers money is needed now more than ever.

The 2007 Energy Independence and Security Act ordered the National Highway Traffic Safety Administration to raise fuel economy standards, and the Obama Administration finalized rules in 2010 requiring passenger cars and light trucks to get a combined average fleet fuel economy of 34.1 miles per gallon by model year 2016 – an increase from 27.3 miles per gallon for the combined fleet in model year 2011.

This was the first major jump in fuel economy standards since 1985 when the original 1975 standards were phased in. The proposal, when finalized, will mark the first act to regulate greenhouse gases and protect from the worst consequences of climate change.

¹ [James Gattuso](http://www.heritage.org/research/reports/2010/10/red-tape-rising-obamas-torrent-of-new-regulation), [Diane Katz](http://www.heritage.org/research/reports/2010/10/red-tape-rising-obamas-torrent-of-new-regulation) and [Stephen Keen](http://www.heritage.org/research/reports/2010/10/red-tape-rising-obamas-torrent-of-new-regulation), , “Red Tape Rising: Obama’s Torrent of New Regulation,” Heritage Foundation Backgrounder, October 26, 2010, available at: <http://www.heritage.org/research/reports/2010/10/red-tape-rising-obamas-torrent-of-new-regulation>.

Assuming gas prices at \$3 per gallon, these new standards will save passenger car drivers nearly \$500/year in reduced gasoline purchases² – quickly offsetting the increased sticker price for the newer, more efficient vehicles.

Overall, NHTSA concludes,

[T]he total benefits of these CAFE standards will be more than three times the magnitude of the corresponding costs. As a consequence, its standards would produce net benefits of \$130.7 billion at a 3 percent discount rate (with FFV credits, \$138.2 billion) or \$94.5 billion at a 7 percent discount rate over the useful lives of vehicles sold during MYs 2012–2016.³

Improving CAFÉ standards are the most effective, proven method to save consumers at the pump and reduce our reliance on oil. The Heritage Foundation’s selective analysis fails to take into account fuel savings by consumers and the benefits of reducing oil imports.

This flawed analysis is representative, not unique. The entire Heritage Foundation brief fails to acknowledge benefits of public interest protections – a common feature of the junk math of the corporations and their allies who oppose public interest protections.

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www.consumerfed.org/elements/www.consumerfed.org/file/CFA%20Applauds%20Obama%20Fuel%20Economy%20Standards%281%29.pdf

³ “Environmental Protection Agency and Department of Transportation, National Highway Traffic Safety Administration: Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards; Final Rule,” *Federal Register*, Vol. 75, No. 88 (May 7, 2010), p. 25346.