



Written by [Bob Adelman](#) on August 29, 2012

## New Fuel Economy Standards Imposed: Separating Hype From Reality

The hyperbole surrounding the White House's [announcement](#) that vehicles must get 54.5 miles per gallon by the year 2025 or else their manufacturers face fines and other sanctions was nearly suffocating. The National Highway Traffic Safety Administration (NHTSA) said:



When combined with previous standards set by this Administration, this move will nearly double the fuel efficiency of those vehicles compared to new vehicles current on our roads.

In total, the Administration's national program to improve fuel economy and reduce greenhouse gas emissions will save consumers more than \$1.7 trillion at the gas pump and reduce U.S. oil consumption by 12 billion barrels.

President Obama was equally ebullient:

These fuel standards represent the single most important step we've ever taken to reduce our dependence on foreign oil. This historic agreement builds on the progress we've already made to save families money at the pump and cut our oil consumption.

By the middle of the next decade our cars will get nearly 55 miles per gallon, almost double what they get today. It'll strengthen our nation's energy security, it's good for middle class families and it will help create an economy built to last.

Department of Transportation (DOT) Secretary Ray LaHood added:

Simply put, this groundbreaking program will result in vehicles that use less gas, travel farther, and provide more efficiency for consumers than ever before — all while protecting the air we breathe and giving automakers the regulatory certainty to build the cars of the future here in America. Today, automakers are seeing their more fuel-efficient vehicles climb in sales, while families already saving money under the Administration's first fuel economy efforts will save even more in the future, making this announcement a victory for everyone.

It seemed, briefly, as if all the unintended consequences of government intervention into the marketplace had either been repealed or were no longer of any importance. Rick Newman, [at US News](#), could scarcely contain himself:

It's usually a bad idea for Washington to tell companies what to sell, or consumers what to buy. But every now and then, government mandates accidentally do some good.

Fuel economy standards have become a surprising example of tougher government rules that benefit practically everybody.

He touted the savings a purchaser would enjoy:



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Boosting fuel economy by four or five miles per gallon might not sound earth-shattering — until you bank the savings. A 5 mpg improvement would save about \$525 per year for a motorist who drives 15,000 miles annually, if gas were at \$3.50 per gallon. With gas at \$4 per gallon, the savings would amount to \$600 per year.

ThinkProgress.com was [equally enthralled](#) with the White House's announcement:

As automakers hire the people that will design and build more fuel-efficient vehicles, their efforts will spur both employment and sales.

At the same time, a significant share of consumer spending will shift from fuel to a wider range of goods and services, spreading shared benefits across the economy.

The new tighter fuel standards being forced on auto manufacturers will also miraculously create new jobs, [exulted the BlueGreen Alliance](#). Its study of the matter "estimates that the proposed standards will create approximately 570,000 jobs nationwide by 2030. The new standards will help U.S. consumers save billions of dollars at the pump, and consumers are expected to use these fuel savings to purchase new goods and services, boosting the U.S. economy and driving job creation."

It concluded:

Overall, the proposed standards will result in a more robust economy that is less vulnerable to energy price spikes, and a stronger auto industry building the cleaner cars that are increasingly in demand.

In addition to these economic benefits, the new standards will also deliver other valuable benefits: they will reduce ... the nation's dependence on foreign oil and help shield our economy from volatile world oil markets; and they will deliver reduced air pollution.

The new standards will also help American auto makers compete in other global auto markets that are increasingly demanding more fuel-efficient vehicles.

But what about the consumer? What is he getting in this grand bargain that reduces carbon emissions, saves gas, and reduces the country's dependence upon foreign oil? Will he enjoy more options in the marketplace where he is spending his money? Is he really pushing for the "green" machines that the green lobby insists he is?

*Car and Driver* magazine [noted](#) that in Europe, where consumers have been forced to take what is being offered, all in the name of fuel efficiency and fewer emissions, it's not such a grand bargain after all. For example, the Ford Focus cost (in 2009 dollars) an American buyer about \$15,000, and for his money he got a four-door sedan with a 140 horsepower engine that got about about 28 mpg.

A nearly identical Ford Focus in Europe cost about \$20,000, with an engine that generated a puny 79 horsepower and got about 30 mpg. As *Car and Driver* expressed it: "Paying an extra \$5,000, Europeans sacrifice 44 percent of their horsepower and gain less than 10 percent in fuel economy."

But that was then. In December 2010 the much-heralded — and hyped — Chevy Volt was released for sale to the public. [It won all sorts of green awards](#), including:

- The 2009 Green Car Vision Award
- 2011 Green Car of the Year
- 2011 North American Car of the Year



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- 2011 World Green Car, and
- 2012 European Car of the Year.

The only trouble was, almost nobody wants to buy it! [They'd much rather have the Chevy Cruze](#). Since its introduction in December 2010, just 18,663 Volts have been sold as of July this year, whereas more than 250,000 customers have purchased a Cruze over the same period.

Partly it's because of the cost. The price of a 2012 Volt is \$46,265 whereas the Cruze runs [less than \\$17,000](#).

Partly it's because the Volt has to be recharged overnight which requires, according to *Consumer Reports* magazine, another investment of about \$2,000 to retrofit a home to install its 240-volt charging unit.

And partly it's because it takes years before the Volt ever breaks even through its fuel savings. At \$3 per gallon of gas, a new Volt's payback period is 15 years (assuming 15,000 miles of annual driving).

Even cheerleader Rick Newman [admits it](#):

The new technology that's behind such efficiency gains does cost extra money, fueling another concern about the tougher mileage rules: They'll force car buyers to pay more out of pocket, whether they want higher mileage or not.

And car prices have in fact gone up over the last couple of years. *TrueCar* says the average price paid for a new set of wheels has risen from about \$27,300 in January 2010 to \$30,400 today — close to a record high.

There, in a microcosm, is the contrast between the hype and the reality. When given a choice, the consumer would rather have a Cruze.



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