

## **Additional Questions for the Record**

**Subcommittee on Consumer Protection and Commerce  
Subcommittee on Environment and Climate Change  
Hearing on  
“Driving in Reverse: The Administration’s Rollback  
of Fuel Economy and Clean Car Standards”  
June 20, 2019**

**Mr. David J. Friedman  
Vice President, Advocacy  
Consumer Reports**

### **The Honorable Jan Schakowsky (D-IL)**

1. The Administration’s Safer Affordable Fuel Efficiency Vehicle Rule or SAFE Vehicles Rule assumes that by rolling back clean car standards for new vehicles, owners of older vehicles will drive much, much less. This assumption allowed the Agencies to conclude that people will drive less under the Administration’s proposal, which means fewer automobile fatalities. And this assumption accounted for nearly half of the purported lives saved under the Administration’s proposal. Is the assumption reasonable, and do the conclusions that follow from it make sense?

*Mr. Friedman’s response:* No, this assumption is not reasonable and flows from severely flawed analysis and models. The decreases in driving predicted by the administration’s analysis come from two places:<sup>1</sup> 1) from a doubling of the rebound effect which is unjustified by the literature,<sup>2</sup> and 2) the agency’s highly flawed scrappage model that was not peer-reviewed, predicts a much smaller vehicle fleet under the rollback than under the existing standards, and applies uniform

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<sup>1</sup> See pages 5-7 of Attachment 1 “Joint Summary Comments of Environmental, Advocacy, and Science Organizations on the Proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, Docket Nos. NHTSA-2018-0067, EPA-HQ-OAR-2018-0283”

<sup>2</sup> Gillingham, K., Jenn, A., & Azevedo, I.M. Heterogeneity in the response to gasoline prices: Evidence from Pennsylvania and implications for the rebound effect, (2015) *Energy Economics*, 52, S41-S52, Wenzel, T.P., & Fujita, K. S. Elasticity of Vehicle Miles of Travel to Changes in the Price of Gasoline and the Cost of Driving in Texas, (2018) LBNL.

See comments from the Environmental Defense Fund and Union of Concerned Scientists: Joint Comments of Health, Environmental, and Conservation Groups on EPA’s Proposed Rule: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, 83 Fed. Reg. 42,986, Docket No. NHTSA-2018-0067 and EPA-HQ-OAR-2018-0283 (Aug. 24, 2018). Available at <https://www.regulations.gov/document?D=NHTSA-2018-0067-12075>.

vehicle miles traveled assumptions to all vehicles regardless of the size of the fleet.<sup>3</sup> These flaws have been documented and thoroughly rebutted in the record by a wide range of stakeholders.

2. In the SAFE Vehicles Rule, the Administration invoked the principle of the rebound effect, which asserts that people drive efficient vehicles more because they are cheaper to operate. And more driving means more deaths. The Administration argued that freezing the fuel economy standards would reduce the rebound effect, and in the process made calculations based on a doubling of the rebound effect from number the previous administration applied.

a) Do you agree that the Trump Administration miscalculated the rebound effect? Could lives be saved by rolling back our clean car standards?

*Mr. Friedman's response:* Yes, the administration overestimated the rebound effect by about double the level indicated by peer-reviewed literature as described in detail in the public comments cited.<sup>4</sup>

***b) Could lives be saved by rolling back our clean car standards?***

*Mr. Friedman's response:* Consumer Reports' analysis showed that rolling back clean car standards would not save lives and could slightly increase traffic fatalities.<sup>5</sup>

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<sup>3</sup> See page 6 of Attachment 1, and pages 171-185 of Attachment 2 "Appendix A - Comments of the Center for Biological Diversity, Conservation Law Foundation, Earthjustice, Environmental Defense Fund, Environmental Law and Policy Center, Natural Resources Defense Council, Public Citizen, Inc., Sierra Club, Union of Concerned Scientists on the Proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, Docket Nos. NHTSA-2018-0067, EPA-HQ-OAR-2018-0283"

<sup>4</sup> Gillingham, K., Jenn, A., & Azevedo, I.M. Heterogeneity in the response to gasoline prices: Evidence from Pennsylvania and implications for the rebound effect, (2015) *Energy Economics*, 52, S41-S52, Wenzel, T.P., & Fujita, K. S. Elasticity of Vehicle Miles of Travel to Changes in the Price of Gasoline and the Cost of Driving in Texas, (2018) LBNL. See comments from the Environmental Defense Fund and Union of Concerned Scientists: Joint Comments of Health, Environmental, and Conservation Groups on EPA's Proposed Rule: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, 83 Fed. Reg. 42,986, Docket No. NHTSA-2018-0067 and EPA-HQ-OAR-2018-0283 (Aug. 24, 2018). Available at <https://www.regulations.gov/document?D=NHTSA-2018-0067-12075>.

<sup>5</sup> Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

**The Honorable Cathy McMorris-Rodgers (R-WA)**

1. Mr. Friedman, at the hearing, you testified about polling numbers with respect to consumer preference. How do the real-world sales of vehicles line up with the polling?

*Mr. Friedman's response:* 2018 marked the fourth straight year in which more than 17 million light-duty vehicles were sold in the U.S., a mark reached only twice before 2015. This has occurred while fuel economy, driven by the existing federal fuel economy standards, has increased every year.<sup>6</sup> Gradually improving, footprint based, fuel economy standards act as a rising tide that lifts all boats, providing consumers more efficient vehicle choices while continuing to provide the level of size and performance consumers want.<sup>7</sup> This is consistent with the polling results, which indicated that consumers want more fuel efficient vehicles and they want automakers to expand choice in that area so they can act on that unfulfilled demand.

2. Mr. Friedman, what CAFE-related activities, whether rulemakings, analyses, or reports, were conducted during your tenure as deputy administrator and acting administrator at NHTSA?

*Mr. Friedman's response:* (1) The vast majority of my time while at NHTSA was devoted to auto safety issues, including issuing a record amount of fines on automakers due to violations of defect laws; (2) of the remaining, more limited time, some significant portion was focused on fuel economy, the vast majority of which was on medium and heavy-duty vehicle fuel economy standards, which were proposed a month before I left NHTSA to move over to DOE; (3) some of that time was also focused on fuel economy enforcement and the development of the agency's CAFE Public Information Center; (3) the existing fuel economy and greenhouse gas pollution standards for light-duty vehicles that the current administration is seeking to roll back were established in October, 2012, seven months before I was at the agency; and (4) while I recall being involved in process, background, and other preliminary discussions regarding the mid-term evaluation, I do not recall being involved in major decision-making regarding substance critical to that evaluation.

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<sup>6</sup> See 2019 EPA Trends Report <https://www.epa.gov/automotive-trends> and Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/research/fuel-economy-and-greenhouse-gas-vehicle-standards-are-working-according-to-the-epas-own-data/>

<sup>7</sup> See 2019 EPA Trends Report <https://www.epa.gov/automotive-trends> and Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/research/fuel-economy-and-greenhouse-gas-vehicle-standards-are-working-according-to-the-epas-own-data/>

1. How has that influenced consumers union position on the proposed SAFE Vehicles Rule?

*Mr. Friedman's response:* Consumer Reports (formerly as Consumers Union, and, until November 2018, as Consumers Union, the advocacy division of Consumer Reports) has been supportive of strong fuel economy standards for over a decade.<sup>8</sup> Further, CR was supportive of and conducted research showing net benefits of the MY 2017-2025 standards in 2012 and 2013,<sup>9</sup> well before I joined the organization. Overall, our position on the proposed fuel economy and pollution standards rollback was driven by our in-depth analysis of the text of the proposal, detailed modeling of the effects of that proposal, and years of surveys highlighting bipartisan consumer preferences for increased fuel economy.<sup>10</sup> My time as a public servant at NHTSA has certainly deepened my understanding of the regulatory process, the role of safety and its interactions with fuel economy, and the financial and other issues NHTSA considers, all of which I hope helped further improve the robustness of our analysis of the rollback proposal.

3. Mr. Friedman, you held a position in the previous administration during the time that preliminary work was being done on the draft Technical Assessment Report (TAR) that later was used by EPA that prematurely rushed the midterm review process. What was your role at NHTSA during that time?

*Mr. Friedman's response:* This question is difficult to answer as I am not aware of the EPA prematurely rushing the midterm review process. I was at the Department of Energy as Principal Deputy Assistant Secretary and as Acting Assistant Secretary when the vast majority of NHTSA's and EPA's work was done on the TAR. From that position it appeared that the EPA followed a very thorough process, using well-respected approaches and a very public notice and comment process to develop and gather information, which then went into a final determination that the existing standards are appropriate under the Clean Air Act.

That said, please refer to my answer to question 2, above, for my recollections regarding the mid-term review process.

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<sup>8</sup> See e.g. Consumers Union 2007 letter urging Congress to improve fuel economy standards at [https://advocacy.consumerreports.org/press\\_release/cucfa-letter-to-the-senate-urging-an-increase-in-cafe-standards/](https://advocacy.consumerreports.org/press_release/cucfa-letter-to-the-senate-urging-an-increase-in-cafe-standards/)

<sup>9</sup> See e.g., "A Review of Consumer Benefits from Corporate Average Fuel Economy (CAFE) Standards" dated June 13, 2013 at <https://advocacy.consumerreports.org/research/a-review-of-consumer-benefits-from-corporate-average-fuel-economy-cafe-standards/>; and Consumers Union press release dated August 28, 2012 supporting MY 2017-2025 standards at [https://advocacy.consumerreports.org/press\\_release/final-fuel-economy-standards-will-help-consumers-save-at-the-pump/](https://advocacy.consumerreports.org/press_release/final-fuel-economy-standards-will-help-consumers-save-at-the-pump/)

<sup>10</sup> See Consumer Reports "The Un-SAFE Rule: How a Fuel Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety" (August 7, 2019) at [https://advocacy.consumerreports.org/press\\_release/un-saferule/](https://advocacy.consumerreports.org/press_release/un-saferule/) (Summary for Policymakers included as Attachment 3); and "Joint comments from Consumers Union (CU), Consumer Federation of America (CFA), and American Council for an Energy-Efficient Economy (ACEEE)" in docket NHTSA-2018-0067-11731 at <https://www.regulations.gov/document?D=NHTSA-2018-0067-11731>. This public comment includes modeling of the consumer impacts of the rule, an analysis of automaker advertising, a discrete choice analysis of consumers' willingness to pay for fuel economy, nationally representative surveys, and other analyses.

1. Did you have input into any analysis or modeling decisions related to the draft TAR and NHTSA's oversight of the CAFE program?

*Mr. Friedman's response:* While I recall being involved in process, background, and other preliminary discussions regarding the mid-term evaluation, I do not recall being involved in major decision-making regarding substance critical to that evaluation. For additional information on my role regarding NHTSA's oversight of the CAFE program, please see question 2, above.

4. Mr. Friedman, in your written testimony, you say NHTSA and EPA's preferred alternative would cost owners of a MY 2026 vehicle an average of \$3,300 over the life of the vehicle. Can you please explain how you arrived at that number, including the fuel price and number of years in the "life of the vehicle?"

*Mr. Friedman's response:* These results are from Consumer Reports' report titled "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety."<sup>11</sup> The calculation takes into account technology savings from the rollback along with fuel spending over an 18 year vehicle lifetime.<sup>12</sup> The vehicle miles traveled schedule was taken directly from NHTSA's analysis of the rule.<sup>13</sup> Fuel costs were taken from the EIA's Annual Energy Outlook.<sup>14</sup> The results are discounted to the present value at a discount rate of 3%. Additional calculations were performed for new vehicle buyers that determined that consumers who finance their vehicles over 5 years start losing money beginning in their first month of ownership under the proposed rollback.<sup>15</sup>

1. Under your analysis, are you assuming the original owner of the vehicle owns the vehicle for the entire "life of the vehicle?"

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<sup>11</sup> Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

<sup>12</sup> Average vehicle lifetimes projected to range from 18 to 20 years for MY 2021-2035, calculated by linear extrapolation of data in Table 2 of Antonio Bento, Kevin Roth, Yiyou Zuo, Vehicle Lifetime Trends and Scrappage Behavior in the U.S. Used Car Market (Jan. 18, 2016). Available at [http://faculty.sites.uci.edu/kevinroth/files/2011/03/Scrappage\\_18Jan2016.pdf](http://faculty.sites.uci.edu/kevinroth/files/2011/03/Scrappage_18Jan2016.pdf).

<sup>13</sup> See Figures 8-6 and 8-9, and Table 8-6. Environmental Protection Agency, National Highway Traffic Safety Administration, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Year 2021- 2026 Passenger Cars and Light Trucks (July 2018), 967, 969. Available at <https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/ld-cafe-co2-nhtsa-2127-al76-epa-pria180823.pdf>.

<sup>14</sup> Energy Information Agency, Annual Energy Outlook 2019 <https://www.eia.gov/outlooks/aeo/>.

<sup>15</sup> See table 2 of Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

*Mr. Friedman's response:* No. Consumer Reports' analysis includes original and subsequent owners in its calculation of costs and benefits, and is not sensitive to how long the original owner of the vehicle holds on to their vehicle or how many times the vehicle is sold over its lifetime. While not included in our analysis, original owners who sell their vehicles are likely to see reduced resale value under the SAFE rule due to lower upfront prices and lower valuation due to lower fuel economy. While used buyers will benefit from lower upfront costs, like new car buyers, their bottom line will be hurt by lower fuel economy and see overall losses under the SAFE rule. However, these dynamics only determine how much of the losses of the SAFE rule are borne by the first owner vs. subsequent owners of the vehicle, and do not affect the total amount of the losses to consumers overall.

Used car buyers make up about 70% of the total light vehicle market in the US,<sup>16</sup> and therefore, any analysis that leaves out the impact of fuel economy standards to used car buyers is leaving out the impact on the majority of the country. In our analysis we estimate that around 50% of the total \$460B cost of the SAFE rule will fall on used car buyers.<sup>17</sup>

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<sup>16</sup> Edmunds.com "Used Vehicle Market Poised for Record Sales in 2019, According to New Report from Edmunds," March 20, 2019 <https://www.edmunds.com/industry/press/used-vehicle-market-poised-for-record-sales-in-2019-according-to-new-report-from-edmunds.html>.

<sup>17</sup> Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," published August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.