

**Attachment—Additional Questions for the Record**

**The Honorable Richard Hudson**

1. In your testimony you highlighted how the Obama One National Program was one of the most expensive set of rules ever on the auto industry. You also sighted{sic} how these rules raised the average price of a vehicle by nearly \$3,000 forcing over 6 million people entirely out of the new car market.
  - a. If these people are priced out of the new car market is it safe to assume that these individuals will turn to older vehicles?
  - b. If customers do turn to older vehicles after being forced out of the new car market, could you share your thoughts on the impact this would have both on the environment and long term economic effects for both consumers and manufacturers?

**Response by Forrest McConnell, former Chairman, NADA**

- a. We agree that Americans priced out of the new car market because of the Obama Administration's fuel economy rules will be forced to turn to alternatives, such as purchasing older vehicles or repairing and retaining the older vehicles that they already own. Because 90 percent of new car buyers rely on financing to acquire new vehicles, a 2012 National Automobile Dealer Association (NADA) study investigated how increased vehicle prices affect consumers' ability to secure vehicle financing. Since lending sources will not lend more based on a vehicle's higher fuel economy, the study unsurprisingly found that the higher vehicle prices that accompany fuel economy increases will force some potential new car buyers entirely out of the new car market, simply because they will no longer qualify for a new car auto loan. Using the government's \$3,000 per vehicle price increase estimate, the study found that 6.8 million licensed drivers will no longer be able to qualify for the least expensive new vehicle on the market. A \$3,000 per vehicle price increase will also impact other parts of the automobile market. For example, 6.6 million licensed drivers would be unable to qualify for a seven-passenger family vehicle.

If an individual is priced out of the new car market or a particular market segment, some alternatives are the used car market or public transportation. However, raising the price of new vehicles often results in a commensurate rise in the price of used vehicles. Regarding public transportation, that option is often not available – or is extremely limited – for many working Americans. The Obama fuel economy program is making new cars and trucks more expensive, resulting in Americans keeping their older vehicles longer, and delaying the ability of consumers to purchase newer, safer, and more fuel-efficient vehicles.

- b. As a general matter, older vehicles are less safe and less environmentally friendly than new vehicles. Unfortunately, the way the "One National Program" is currently structured, the EPA and the California Air Resources Board do not evaluate how their

regulations affect consumer choice, safety or jobs. Regarding the long term economic effects of this policy, the Obama Administration largely glossed over the costs of its rule. For example, the rule does, “not provide quantified estimates of potential sales impacts...” 77 Fed. Reg. 62946 (Oct. 15, 2012). Regarding potential job loss, the rule states, “Because... we have not quantified the impact on sales for this rule, we do not quantify the demand effect [on employment].” 77 Fed. Reg. 62955 (Oct. 15, 2012).