

April 14, 2009

## Cash for Clunkers – Facts/Fiction

*Research Refutes Environmental Claims*

### **SEMA Promotes Better Solutions For Selling Cars & Cleaning the Environment**

**Position:** SEMA supports the concept of providing cash incentives so that consumers can purchase fuel-efficient new vehicles. This will spur car sales for the automakers and dealerships. SEMA strongly opposes tying these vouchers to vehicle scrappage programs, known as “cash for clunkers.”

**Issue:** Scrappage programs accelerate the demise of older vehicles, which are then typically crushed into blocks of metal. Program supporters focus on a car's age or fuel efficiency rating rather than its actual emissions or how much it is driven. SEMA has consistently warned against wasting billions of taxpayer dollars on a program that may produce an artificial spike in sales but will not reduce emissions or increase fuel efficiency.

### **Problems**

#### **Environmental Claims Refuted**

- **Low Voucher Value:** SEMA conducted a comprehensive study on the blue book value of cars being targeted under the legislation. Given the low cash value of the vouchers to be offered consumers (generally ranging from \$2,000 to \$5,000), the facts demonstrate:
  - **Program Based on Fuel Economy:** Under a program targeting cars that have low fuel economy ratings (18 mpg or less), the trade-in vehicles would be late model SUVs and pickup trucks that have been damaged in accidents or have mechanical problems. These cars are not being driven much in their current condition and have minimal impact on the environment.
  - **Program Based on Emissions:** With emissions being the focus, cars turned-in because they are older than 8 years would be the rarely driven second or third cars that sit in the driveway or garage.
  - **Example:** Under the first program, the owner of a fuel-efficient car from the 1980s or 1990s could not get a voucher to trade-up to a new car. That same car would be destroyed under the other program.
  - **Conclusion:** *The cars targeted under both programs are not being driven much, therefore it can not be claimed that the air will be cleaner or the U.S. will be less dependent on foreign oil.*
- **Not Eco-Friendly:** While supporters tout a similar German program as evidence of success, the European Federation for Transport and the Environment, (the pan-European federation of environmental groups), along with European Commission staff have urged Germany and other countries to abandon scrappage subsidies because they do more environmental harm than good by artificially accelerating the car life cycle (producing, dismantling, recycling, etc.).
- **Carbon Footprint:** Scrappage programs do not calculate CO2 emissions expended to manufacture a new car. Approximately 15-20% of a car's emissions may be produced during its manufacture. For example, a CNW Research study estimated that it took the energy equivalent of 1,000 gallons of gasoline to make the fuel-efficient Toyota Prius.
- **Unverified Claims:** Scrappage supporters make optimistic claims about fuel savings and environmental protections that will not be subject to real-world verification or enforcement. For example, how many miles was the trade-in driven in the past year?

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### **Economic Claims Refuted**

- **Denies Vouchers to Most New Car Buyers:** Millions of consumers who may be eager and able to purchase a new car will be denied a voucher since they don't have an eligible trade-in car. Statistics confirm that a majority of consumers no longer trade in a car at the dealership when buying a new car. In 2007, only 38% offered a trade-in, which meant that 62% percent of new car buyers would have been ineligible to participate in a voucher program. Moreover, the vast majority of trade-in cars were just a few years old. *The facts demonstrate that people who are the most likely candidates to buy a new car would not qualify for a voucher or would have an artificial incentive to bring in a qualifying car that would not otherwise appear at the dealership.*
- **Creates A New Government Bureaucracy:** The government will have to set up a program to issue vouchers, issue fees to dismantlers/recyclers, issue vouchers to transit operators, process certification filings that a vehicle has been destroyed, compile and track the data. This is an unnecessary expenditure of tax dollars on a system ripe for fraud and abuse.

### **Solutions**

- **Provide Vouchers for All:** Vehicle scrappage programs *restrict* car sales since the consumer must own an older car to participate. This is not a good business model for selling cars. ***Solution:*** SEMA supports Congressional proposals to provide cash incentives to any person who wants to buy a new fuel-efficient car.
- **Include Used Cars:** Most dealerships sell used cars as well as new cars. Meanwhile, many consumers want to upgrade their vehicles but are unable to afford a new car. ***Solution:*** Provide a voucher to anyone who wants to buy a newer and more fuel-efficient used car.
- **Resume Auto Financing:** Vehicle sales have fallen because of low consumer confidence, fear of job loss and lack of financing, even for people ready to buy. Scrappage programs do not solve these root problems. ***Solution:*** SEMA supports ongoing initiatives to restore new-car consumer and business financing.
- **Provide Tax Deduction for Interest Payments:** The economic stimulus bill included a sales-tax deduction estimated to produce 100,000 additional sales this year. ***Solution:*** Congress should now pass a law to allow consumers to deduct car loan interest payments on their federal taxes, which should produce another 300,000 or more sales.
- **Repair/Retrofit:** A number of commercially available products and technologies exist that will substantially lower the emission rates of older vehicles while also offering the owner added performance, drivability and fuel mileage. These innovative solutions drive product sales, produce American jobs and secure tax revenues for the government. ***Solution:*** provide tax incentives to encourage owners to upgrade, repair or maintain their used vehicles. It is less expensive to retrofit an existing car with emissions/fuel economy equipment rather than destroying it.

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The Specialty Equipment Market Association (SEMA) represents the \$38.1 billion specialty automotive industry. Founded in 1963, it's 7,358 member companies produce products for nearly every vehicle in the marketplace – from new cars to classic vehicles – products that enhance the performance, appearance and utility of those vehicles. Most of the products that reduce air pollution or increase fuel efficiency were first produced by specialty equipment manufacturers, including turbochargers and high performance exhausts.