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INDUSTRY INSIGHTS:

CAFE Deal Leaves Out Consumers

- Jack R. Nerad, executive editorial director and executive market analyst, Kelley Blue Book's kbb.com

Facing an uphill battle to get congressional approval of the 60-mpg Corporate Average Fuel Economy (CAFE) standard that was the rallying cry of many environmental groups, the Obama Administration did what it has frequently done over the past three years by floating the possibility of a slightly lower standard – 56.2 mpg by 2025 – as a stab at compromise. Then, after enduring slings-and-arrows from the environmental forces who felt the Administration was getting too soft, and the car companies and other auto industry groups who felt the proposed regulations were impossibly high, the Administration edged its proposal down yet another notch, to 54.5 mpg, and threw in several more added fillips to try to turn the tide in favor of ratification.

Among the biggest of these amendments to the initial proposal is special treatment for pickup trucks. Rather than hitting the 5 percent annual mpg increases that are required of new cars, new pickup trucks will reportedly only have to achieve 3.5 percent annual increases during the first five years of the initiative, finally bumping up to 5 percent during the balance ending in 2025. This move shifted the domestic Big Three from opponents of the plan into supporters, and it also prompted the United Auto Workers to close ranks behind the newest version of the proposal.

Another important alteration is what has been described as the opportunity for a mid-course review of the whole procedure. It calls for a potential review and re-working of the regulations and implementation timetable prior to 2022, allowing manufacturers a chance to get relief if the standards actually prove to be impossible to implement or if vehicle sales and auto industry jobs suffer. In essence, any proposed regulations for 2022 and beyond could change significantly from what is being put on paper now.

Other credits and caveats favor individual manufacturers and/or groups of manufacturers. For example, pickup truck makers would reportedly get special credit for hybridization beyond what would accrue to car manufacturers. Although all the details aren't available as this is being written, it seems the proposal is designed to be palatable for environmental groups and the domestic car companies. The Asian and European car companies are much less enthusiastic about the deal, but they can't swing very many American votes.

“WHILE IT SEEMS THERE IS SOMETHING IN THE PROPOSAL FOR EACH OF THE BIG, ORGANIZED CONSTITUENCIES...ONE GROUP HAS BEEN LARGELY IGNORED - THE AMERICAN CONSUMER.”

- JACK NERAD

While it seems that there is something in the proposal for each of the big, organized constituencies – environmentalists, domestic car companies, union labor – one group has been largely ignored – the American consumer. The proposal, if it wins approval, would be the most ambitious fuel economy measure ever instituted, essentially doubling the current CAFE standards during the relatively short span of 14 years. The May 2009 agreement on CAFE that will result in a 34.1 mpg standard in 2016 is estimated to cost \$51.5 billion, so one has to assume that getting to 54.5 mpg would cost at least that much, and who is going to pay the bill? American consumers.

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INDUSTRY INSIGHTS, CONTINUED :

On the micro level, we have a hard time believing that the typical new-car customer will be happy about spending \$2,000 more for his or her new car than they otherwise would for fuel economy benefits that may or may not pencil in their favor during their ownership period. And we're not alone in feeling that way. A recent online poll (not conducted by Kelley Blue Book) found that 72 percent of car buyers say they support the higher fuel economy standards, but when told that vehicle prices would rise \$2,000 to make that happen, support for the higher standards dropped to just 34.5 percent.

Certainly we all endorse the idea of better fuel economy and less reliance on foreign-sourced petroleum, but at what cost? And, how will this effort affect our already limping economy? What will it do to an industry that always has been one of the key drivers of commerce and prosperity? That remains to be seen, but there is no doubt it is a bold experiment.

LATEST NEWS STORIES ON KBB.COM :

Check out the very latest news stories by visiting www.kbb.com and clicking the 'Kbb Top Picks' tab on the home page. The following latest news stories by kbb.com's editorial staff went live on the site or were updated during July 2011.

Written Stories Posted to kbb.com:

[*2011 BMW 335i Performance Edition - Speeding off into the sunset*](#)
[*2011 Goodwood Festival of Speed -- Quick takes*](#)
[*2012 Audi A7 - First drive*](#)
[*2012 Audi TT RS Coupe - Arrives late summer, opens at \\$57,725*](#)
[*2012 BMW 528i gets new TwinPower Turbo four-cylinder*](#)
[*2012 Honda CR-V Concept foretells look of new production model*](#)
[*2012 Mercedes-Benz C63 AMG Coupe Black Series revealed*](#)
[*2012 Nissan LEAF - more standard equipment, higher base price*](#)
[*2012 Nissan Versa Sedan Review: Sizeable Subcompact*](#)
[*2012 Porsche 911 officially teased*](#)
[*2012 VW Beetle: Don't call it New \(but it is\)*](#)
[*2013 Audi A5/S5 - revised and revealed*](#)
[*2013 Infiniti JX Crossover teased - Concept to debut at Pebble Beach*](#)
[*ABT Sportsline Volkswagen Beetle - Frankfurt Auto Show*](#)
[*All-new Toyota Camry arrives this fall, Scion iQ EV coming in 2012*](#)
[*Antonov's three-speed autoshifter promises big gains for future EVs*](#)
[*Audi highlight video commemorates its 10th Le Mans win*](#)
[*BMW Motorrad E-Scooter Prototype hits the streets in stealth mode*](#)
[*BMW gets its art on - and online*](#)
[*Bugatti Veyron Grand Sport L'Or Blanc - Porcelain to the max*](#)
[*Chevrolet Cruze diesel coming to North America in 2013*](#)
[*Daimler and Bosch create joint venture to make advanced EV motors*](#)
[*Eternita Concept wins Ferrari World Design Contest 2011*](#)
[*Ford Octane Academy - the ultimate action-sports fantasy camp*](#)
[*Ford testing live 'Operator Assist' feature for SYNC*](#)
[*Future Vision: Family Dynamic Concept*](#)
[*Hybrid Honda rally car booted for being too fast*](#)
[*Infiniti adds Personal Assistant concierge service benefit*](#)
[*Lotus Sport USA gets ready to race Evora GTE here in 2012*](#)
[*Mazda launches money-saving prepaid maintenance plan*](#)
[*Mercedes-Benz reveals new super-efficient AMG 5.5-liter V8*](#)
[*Mercedes-Benz to invest \\$2 billion in its Alabama facilities*](#)
[*Mercedes-Benz wind tunnels provide the ultimate in climate control*](#)
[*Mitsubishi opens solar charging unit, confirms EPA stats for '12 EV*](#)
[*NHTSA infographic: California tops in cars stolen*](#)
[*New Mopar kit turns your Jeep Wrangler Unlimited into a mini-pickup*](#)
[*New NHTSA guide offers buyers advice on making safer vehicle choices*](#)

[*Pandora set to open a bigger box of manufacturer relationships*](#)
[*Renault Frendzy Concept - Frankfurt Auto Show*](#)
[*Shelby SuperCars Tuatara - boldly breeding the need for speed*](#)
[*Subaru sets million-vehicle annual sales target by 2021*](#)
[*Tech Brief: A look inside GM's 3D Rapid Prototyping lab*](#)
[*The Real Transformers: 10 new cars leading double lives*](#)
[*Toyota GRMN Sports Hybrid Concept II -- Getting ready to get real?*](#)
[*Volvo XC60 earns kudos for City Safety crash avoidance technology*](#)

Videos Posted to kbb.com:

[*Chevrolet Corvette ZR1 Video Review*](#)
[*Fiat 500 Video Review*](#)
[*Hyundai Sonata Video Review*](#)
[*Kia Soul Long Term Review Part 2*](#)

The following new-vehicle reviews written by kbb.com's editorial staff went live on the site or were updated during July 2011. To see any new-vehicle review from kbb.com's editorial staff, please visit www.kbb.com and click on the Car Reviews tab, then select the make and model.

[2012 Nissan Versa](#)

The Nissan Versa is the Toyota Camry of the subcompact segment: Boring but a best seller. Of course, boring cars are only boring to those looking to make a fashion statement or generate an adrenalin rush with their transportation — a minority group. To its many happy buyers, the Versa is the roomiest, most comfortable new car available in the neighborhood of \$15,000. And even though Nissan's designers have blessed the all-new 2012 Versa Sedan with considerably handsomer sheet metal, the basic recipe remains the same...

[2011 Porsche Boxster](#)

Now in its 14th model year, the 2011 Porsche Boxster, in spite of representing Porsche's "entry level" offering as the brand's most affordable model, continues the company's tradition of engineering excellence through relentless platform-building. It offers all the panache of its Germanic rivals from Audi, BMW and Mercedes-Benz, and also brings all the unparalleled motorsport success associated with the Porsche crest. Although overall performance generally falls slightly short of that of its fixed-roof Cayman near-twin, what the Boxster does offer is an undeniably performance-oriented, open-top Porsche experience, at a much lower cost than a 911 Cabriolet. The 2011 Porsche Boxster is offered in base, S, and Spyder models, as well as a special iteration for 2011, the Boxster S Black Edition...

[2011 Porsche Cayman](#)

Since being introduced in 2006 and 2007 respectively, the Porsche Cayman S and Cayman have taken a lofty place in the two-door sports car class amongst rivals such as the Audi TTS Quattro Coupe, BMW Z4 M Coupe, Nissan 370Z and Mercedes-Benz SLK350. In just a few short years, the Cayman has become a benchmark sports car that many Porsche-philes claim is the best and most balanced platform in the lineup. In 2011, the Cayman will have an even more focused variant in the (very) performance-oriented Cayman R. While none of the Cayman models can be considered inexpensive, the price difference between the base Cayman and 911, along with the Cayman's mid-engine design, may leave you wondering: Which Porsche is the one to aspire to own?...

WHAT'S NEW:

Hyundai Ousts Honda, Toyota to Take No. 1 Spot for Brand Loyalty on Kbb.com

Latest Q2 2011 Analysis from Kelley Blue Book's Kbb.com Shows Kia, Mini Also Bucking Loyalty Trends

IRVINE, Calif., July 18, 2011 -- Kelley Blue Book's www.kbb.com, the leading provider of [new car](#) and [used car](#) information, today announces that [Hyundai](#) has ousted traditional mainstays [Honda](#) and [Toyota](#) to take the No. 1 spot in brand loyalty on kbb.com for Q2 2011. While Hyundai took the top spot in loyalty in February 2010, this marks the first time since kbb.com began tracking this data that Hyundai has held the No. 1 spot for an entire quarter.

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Kbb.com: Fuel-Efficient Vehicle Values Likely to Fall 15 Percent by Year-End

Subcompact, Compact and Hybrid Cars Could Surpass Drops of 2009 and 2010

IRVINE, Calif., July 11, 2011 -- Kelley Blue Book www.kbb.com, the leading provider of [new car](#) and [used car](#) information, today reports that fuel-efficient vehicle values are likely to fall 15 percent by year-end in response to stabilizing gas prices and a return to normal production levels for Japanese manufacturers, as covered in the company's [Blue Book Market Report for July 2011](#).

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Kelley Blue Book's Kbb.com Expands OEM Advertising & Business Development Team

Promotions, New Hires Will Help Support Company Growth, Partnerships with Automakers

IRVINE, Calif., July 6, 2011 -- Kelley Blue Book's www.kbb.com, the leading provider of [new car](#) and [used car](#) information, today announces a major expansion of its OEM Advertising and Business Development team nationwide, with promotions and new hires in both the company's Detroit office and Irvine, Calif., headquarters.

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Founded in 1926, Kelley Blue Book, The Trusted Resource®, is the only vehicle valuation and information source trusted and relied upon by both consumers and the industry. Each week the company provides the most market-reflective values in the industry on its top-rated website www.kbb.com, including its famous Blue Book® Trade-In and Retail Values and Fair Purchase Price, which reports what others are paying for new cars this week. The company also provides vehicle pricing and values through various products and services available to car dealers, auto manufacturers, finance and insurance companies as well as governmental agencies. Kbb.com is a leading provider of new car prices, used car values, car reviews, new cars for sale, used cars for sale, and car dealer locations. Kelley Blue Book Co. Inc. is a wholly owned subsidiary of AutoTrader.com.

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