

The reckless policies that helped fill our streets with ridiculously large cars

Dangerous, polluting SUVs and pickups took over America. Lawmakers are partly to blame.

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By David Zipper April 28, 2024

Cars, you might have noticed, have grown enormous.

Low-slung station wagons are <u>all but extinct</u> on American roads, and even sedans have become an endangered species. (Ford, producer of the iconic Model T a century ago, <u>no longer sells any sedans</u> in its home market.) Bulky SUVs and pickup trucks — which have themselves steadily <u>added pounds and inches</u> — now comprise more than <u>four out of every five new cars sold</u> in the US, up from just over half in 2013, even as national household size <u>steadily declines</u>.

The expanding size of automobiles — a phenomenon I call car bloat — has deepened a slew of national problems. Take road safety: <u>Unlike peer nations</u>, the US has endured a steep rise in traffic deaths, with fatalities among pedestrians and cyclists, who are at <u>elevated risk</u> in a crash with a huge car, recently hitting <u>40-year highs</u>. Vehicle occupants face danger as well. A <u>2019 study</u> concluded that compared to a smaller vehicle, an SUV or a pickup colliding with a smaller car was 28 percent and 159 percent, respectively, more likely to kill that car's driver.

Car bloat also threatens the planet. Because heavier vehicles require more energy to move, they tend to gulp rather than sip the gasoline or electricity that powers them, increasing greenhouse gas emissions. Extra weight also accelerates the erosion of <u>roadways</u> and <u>tires</u>, straining highway maintenance budgets and releasing microplastics that damage ecosystems.

What lies behind this shift? Some Americans prefer bigger cars, especially when gas prices are low, for their ample storage space, ability to see over other vehicles on the road, and perceived safety benefits (more on that later). But shifting consumer demands tell only part of the story.

For half a century, a litany of federal policies has favored large SUVs and trucks, pushing automakers and American buyers toward larger models. Instead of counteracting car bloat through regulation, policymakers have subtly encouraged it. That has been a boon for car companies, but a disaster for everyone else.

Here are some of the most egregious examples.

Why we let bigger cars pollute more

After the 1970s OPEC oil embargo triggered a spike in gas prices, the federal government adopted an array of policies intended to reduce energy demand.

One of Congress's most consequential moves was creating the <u>Corporate Average Fuel Economy</u> (CAFE) standards, which require that the average fuel economy (miles per gallon, or MPG) of a carmaker's vehicles remain below a set threshold.

<u>Pressed by auto lobbyists</u>, Congress made a fateful decision when it established CAFE. Instead of setting a single fuel economy standard that applies to all cars, CAFE has two of them: one for passenger cars, such as sedans and station wagons, and a separate, more lenient standard for "light trucks," including pickups and SUVs. In 1982, for instance, the <u>CAFE standard</u> for passenger cars was 24 mpg and only 17.5 mpg for light trucks.

That dual structure didn't initially seem like a big deal, because in the 1970s SUVs and trucks together accounted for <u>less than a quarter</u> of new cars sold. But as gas prices fell in the 1980s, the "light truck loophole" encouraged automakers to shift away from sedans and churn out more pickups and SUVs (which were also more profitable).

Car ads of the 1980s and 1990s frequently featured owners of SUVs and trucks <u>taking family</u> <u>trips</u> or <u>going out with friends</u>, activities that could also be done in a sedan or station wagon. The messaging seemed to resonate: By 2002, light trucks comprised <u>more than half of new car sales</u>.

In the early 2000s, the federal government made these distortions even worse.

During the George W. Bush administration, CAFE was <u>revised</u> to further loosen rules for the biggest cars by tying a car model's efficiency standard to its physical footprint (which is basically the shadow cast by the vehicle when the sun is directly above it). President Obama then incorporated <u>similar footprint rules</u> into new greenhouse gas emissions standards that are overseen by the Environmental Protection Agency (EPA).

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Those concerns proved justified. The average vehicle footprint expanded 6 percent between 2008 and 2023, a "historic high," according to an <u>EPA report</u>, which also found that some carmakers, such as General Motors, actually had lower average fuel economy and higher average carbon emissions in 2022 than in 2017. To its credit, the EPA recently announced <u>revisions</u> to its vehicle GHG rules that would narrow (but not close) the gaps between standards for large and small cars.

But the shift toward <u>electric vehicles</u> may further entrench car bloat. The EPA's rules assume that all EVs, regardless of their design, generate no emissions — a questionable assumption, because EVs create emissions indirectly through the production and transmission of power that flows into their <u>batteries</u>. A huge or inefficient battery requires more electricity, which can lead to significant pollution (especially in regions where <u>fossil fuels</u> dominate the energy mix).

The EPA's policy of treating all EVs equally makes a monstrously wasteful vehicle <u>like the Hummer EV</u> seem cleaner than it is, encouraging carmakers to manufacture more of them.

To counteract EV bloat, Peter Huether, a senior research associate at the American Council for an Energy-Efficient Economy, would like to see the EPA revise its GHG rules to consider emissions from power generation and transmission: "If these standards look at upstream emissions, it could have a downstream effect on shape and size of EVs."

Blocking smaller cars from abroad

What does a 60-year-old trade dispute have to do with car bloat? More than you might imagine.

In the early 1960s, Europe <u>raised the ire</u> of American officials by slapping a 50 percent tariff on chicken exported from the United States. In retaliation, the US enacted a 25 percent tax on pickup trucks imported from abroad. The dispute is long forgotten, but the "Chicken Tax" lives on.

Although the tariff was initially aimed at Germany's immense auto industry (<u>Volkswagen in particular</u>), it also applies to pickups imported from newer automaking powers such as Japan and South Korea, where carmakers are often adept at building vehicles much smaller than those available to Americans.

Toyota's <u>Hilux Double Cab pickup</u>, for instance, weighs several hundred pounds less than a 2024 <u>Ford F-150 Tremor or Lariat</u> and is about half a foot shorter. But Americans who might want it are out of luck. Toyota does not sell the Hilux in the US (but does in countries like <u>India</u> and <u>Britain</u>); the 25 percent tariff would make it prohibitively expensive.

"The Chicken Tax has prevented competitive Asian or European truck makers from entering the US market," said Jason Torchinsky, a co-founder of the Autopian, a media outlet focused on the auto industry. "American manufacturers have really never had to compete." John Krafcik, who previously led Hyundai, <u>has called</u> the Chicken Tax "one of the most important determinants of how the [auto] industry looks today and how it operates today in the US."

The tariff has been condemned by everyone from the Libertarian <u>Cato Institute</u>, the center-right <u>American Enterprise Institute</u>, and the left-leaning <u>Tax Policy Center</u>. "Tariffs in general hurt consumers, and the Chicken Tax is no exception," wrote Robert McClelland of the Tax Policy Center.

There are other protectionist rules blocking smaller vehicles from abroad: Carmakers from China, an emerging automaking behemoth, face a <u>25 percent tariff</u> enacted by Donald Trump. As a result, Americans <u>cannot buy small Chinese EV sedans</u> like the BYD Seagull that cost around \$10,000, <u>barely a fifth</u> the price of an average American car.

And those hoping to import a kei truck, a miniature pickup common in Japan, must navigate a labyrinth of <u>federal</u> and <u>state</u> rules. (Even Afghanistan seems ahead of the US in minitruck offerings, as the Wichita Eagle's Dion Lefler noted in a <u>tongue-in-cheek 2023</u> column: "In the land of the free, why can't we have mini-pickup trucks like the Taliban?")

These policies have established a regulatory moat protecting US automakers whose profits disproportionately come from pricey, hulking SUVs and trucks.

The Hummer Tax Loophole

<u>In 1984</u>, Congress stopped allowing small business owners to take a tax deduction for the purchase price of cars used for work. But the bill included a giant loophole: To protect those who need a heavy-duty vehicle (think farmers or construction workers), Congress made an exception, known as Section 179, for cars that weigh over 6,000 pounds when fully loaded with passengers and cargo. Today such behemoths are eligible for a <u>tax deduction of up to \$30,500</u>, while business owners who opt for a smaller car can claim nothing at all.

Few car models were heavy enough to qualify for the tax break 40 years ago, but that is no longer the case: A <u>Hummer 1</u>, for instance, weighs about 10,300 pounds (leading Section 179 to be dubbed the "<u>Hummer Tax Loophole</u>"). Other huge cars, such as a <u>Chevrolet Suburban</u> or an <u>F-250 Ford Super Duty truck</u> can qualify, too.

"Few folks at EPA know about Section 179," said Becker, the former Sierra Club executive. "But every auto dealer does." Some car dealerships even offer handy Section 179 guides on their websites. The tax advantage of buying a behemoth may be powerful enough to tilt the vehicle purchase decisions of individuals like real estate agents, who use their vehicles for both professional and personal use. And as cars electrify, the added tonnage from batteries will allow more models to qualify for favorable tax treatment.

If Section 179 sounds crazy, consider another federal loophole that has endured for decades. <u>In 1978</u>, Congress established the "Gas Guzzler Tax," requiring automakers to pay <u>between \$1,000 and \$7,700</u> for every car produced that gets less than 22.5 miles per gallon. But the tax only applies to passenger vehicles like sedans and station wagons. SUVs and pickups, which often have much worse gas mileage, are exempt. That omission makes no sense from a policy perspective, but it is good news for carmakers producing inefficient behemoths.

Freezing the gas tax

Every time a car owner fills her gas tank, a portion of the bill goes into the federal <u>Highway Trust Fund</u>, a central source of funding for roads and <u>mass transit</u>. That tax rate is set at \$0.184 per gallon, a level that has <u>been frozen since 1993</u>, when Bill Clinton was less than a year into his presidency. Congressional proposals to increase the gas tax to close a <u>yawning highway budget gap</u>, or at least tie it to inflation, have <u>gone nowhere</u>.

Over the last 31 years, consumer prices have risen 113 percent, making the real value of the gas tax less than half what it was in 1993. That decline has reduced the cost of powering a huge SUV or truck with abysmal gas mileage, like the 6,270-lb 2024 Cadillac Escalade that gets around 16 mpg.

A <u>2018 OECD study</u> found that the US had the lowest average gas tax (including both federal and state taxes) among rich nations, which averaged \$2.24 per gallon — four times the typical US rate. "Why are European cars so small?" said McClelland, of the Tax Policy Center. "One reason has got to be the much higher gasoline tax."

Federal policy ignores crash risk for anyone outside a car

A vehicle's design affects not just the safety of its occupants, but also people walking, biking, or inside other cars. Although seemingly obvious, this basic truth has eluded federal regulators for decades.

Car safety rules are laid out in the encyclopedic Federal Motor Vehicle Safety Standards (FMVSS), which touches on everything from power windows to seat belts. But the FMVSS revolves around protecting a vehicle's occupants; nothing within its <u>562 pages</u> limits a car's physical design to protect someone who might come into contact with it in a collision. That omission invites an arms race of vehicle size — precisely what the US is experiencing.

Nor does the National Highway Traffic Safety Administration (NHTSA) consider pedestrians, cyclists, or other car occupants when calculating its safety ratings from crash tests. Unlike safety ratings in Europe and elsewhere, the American crash ratings program also <u>ignores</u> the danger that vehicle designs pose to those walking and biking.

NHTSA's myopic focus on car occupants is a boon for the heaviest and tallest cars, which pose disproportionate risk to those outside of them. Weightier vehicles exert more force in a crash, and they require additional time to come to a halt when a driver slams on the brakes. A 2023 study by the Insurance Institute for Highway Safety (IIHS) found that vehicles with tall, flat front ends (common on big pickups and SUVs) are significantly more likely to kill pedestrians in crashes. An earlier IIHS study found that large cars also make it harder to see pedestrians at intersections.

With pedestrian and cyclist deaths <u>now soaring</u>, NHTSA last year took its first, tentative step toward protecting so-called vulnerable road users by proposing that <u>its vehicle safety ratings be revised</u> to include an evaluation of automatic pedestrian braking technology, which can force a vehicle to halt before striking someone on foot. But even if adopted, it would not affect NCAP's 5-star safety rating, the hallmark of the program.

And NHTSA's focus on automatic pedestrian braking, an imperfect tech fix, ignores car bloat, a root cause of America's traffic safety crisis. Earlier this year, a <u>paper</u> co-authored by former NHTSA executive Missy Cummings gave an ominous <u>assessment</u> of automatic braking systems, concluding that they did not work consistently. By contrast, the potential safety benefits of constraining vehicles' <u>weight</u> and <u>height</u> have been well established.

Why can't we fix things?

All of these policies have distorted the US car market, leading the <u>278 million vehicles</u> plying American roads to become ever bigger, more dangerous, and more destructive. So why have they remained on the books after the growing societal costs of car bloat became impossible to miss?

To find an answer, consider who benefits from oversized vehicles. American carmakers like Ford and GM (which are headquartered in Michigan, a crucial swing state) rely on juicy margins from big SUVs and pickups, which are more expensive and <u>profitable</u> than smaller models. They enjoy protection from foreign competition through tariffs like the Chicken Tax, as well as favorable policies like CAFE's light-truck loophole.

The regulatory status quo suits domestic automakers just fine — and they act as a roadblock to even modest attempts to change it. In 2022, for example, the largest auto industry association lobbied District of Columbia council members against a proposal to charge owners of the most egregiously oversized cars \$500 per year, seven times more than a light sedan (the District adopted the policy anyway).

As American sales of big SUVs and trucks have surged, their owners are likely to resist policy moves they see as penalizing them. Many are likely to be unaware of the federal loopholes and policy oversights that have distorted their vehicle choices.

The negative externalities of supersized cars — in emissions, crash deaths, and the erosion of tires and pavement — are what economists call a market failure, since their costs are borne by society writ large, not the people who buy big pickups and SUVs. Left unaddressed, those societal costs will grow as more people replace their modest-sized cars with big SUVs or trucks. After all, everyone else seems to be doing it — why not do the same, if only for self-preservation?

Regulation can end such a cycle toward enormity. Countries including <u>France</u> and <u>Norway</u> have enacted weight-based taxes to counteract car bloat's collective costs and avoid giving huge vehicles implicit subsidies. But American policymakers have done the exact opposite, and they rarely even acknowledge the problem. Asked explicitly about ways that the Department of Transportation could address car bloat, Secretary Pete Buttigieg <u>ducked</u>, calling merely for "further research."

With the feds refusing to lead, it has fallen on state and local leaders to try and address car bloat themselves. <u>Colorado</u> and <u>California</u>, for instance, have proposed weight-based vehicle registration fees, following the <u>District of Columbia</u>'s lead. But such moves are an imperfect solution to a national problem (vehicles can, after all, be driven across state lines). A true policy fix will require action from Congress, NHTSA, and the EPA.

It need not begin with new regulations or taxes. Federal leaders could do a world of good if they simply unwind the ill-advised policies already on the books.

 $\underline{https://www.vox.com/future-perfect/24139147/suvs-trucks-popularity-federal-policy-pollution}$