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COMMENTS OF MONTGOMERY COUNTY, MARYLAND, OFFICE OF CONSUMER PROTECTION ON PROPOSED GUIDE CONCERNING FUEL ECONOMY ADVERTISING FOR NEW AUTOMOBILES FUEL ECONOMY REVIEW, MATTER NO. R711008 JUNE 26, 2009

Fuel economy of motor vehicles is a very important issue to consumers, as plainly evidenced by the changes in their new vehicle buying patterns when fuel became relatively expensive in 2008. The market for SUVs nearly dried up, while and there were long waiting lists for Toyota Priuses even though dealers were charging above manufacturer suggested retail price. President Obama's announcement of his Administration's National Fuel Efficiency Policy on May 19, 2009, made clear that his administration considers increasing motor vehicle fuel economy to be vital to America's national interest and, therefore, a high priority. The FTC's Guide Concerning Fuel Economy Advertising for New Automobiles can play an important role in ensuring that the information in fuel economy advertising facilitates the involved market forces to work properly. Unfortunately, this Proposed Guide continues the current Guide's policies of permitting information that blunts and misdirects the market forces.

The Proposed Guide Should Not Allow Advertisers to Use Just the EPA City or Highway MPG Estimate in an Ad

Notwithstanding a brief deviation in the late 1970s and early 1980s, the EPA has consistently maintained that the way to communicate meaningful fuel economy information to consumers is through the joint use of city and highway estimates. The FTCs current Guide has unwisely permitted advertisers to use just a city or highway estimate, however. This Proposed Guide would perpetuate that problem.

The EPA has recognized that both the city and highway estimates are material to consumers. As it noted in proposing its 2006 improvements to the

¹ Lest the Commission or Staff presume that the decision to allow advertisers to use just the city or highway figures had a strong basis in the record, a brief history review is in order. The Commission proposed allowing only one of the two EPA estimates in ads in 1985. Comments were submitted that strenuously opposed this deviation from the EPA. The 1985 proposal was not finalized until 1995, with the cursory justification that the proposal had been in effect informally and "the Commission has not seen evidence of deceptive or misleading claims because of the changed disclosures." 60 Fed Reg 56231 (1995). We submit there is reason to question whether provisions promulgated under such circumstances were adopted based on their merits.

estimates, the dual estimates "essentially serve two purposes: to provide consumers a basis on which to compare the fuel economy of different vehicles, and to provide consumers with a reasonable estimate of the range of fuel economy they can expect to achieve." 71 Fed Reg 5426 (2006). Providing only one estimate to consumers in ads omits half the vehicle's fuel economy picture. The city and highway estimates are often markedly different and both are very material to the vast majority of consumers. We understand that an advertiser may want to emphasize that a vehicle does particularly well on the highway or in the city, but that could be done while still including the other figure in the ad.

Another problem with allowing just one of the estimates in ads is that consumers naturally grasp on to that figure as one they expect to attain. This problem was pointed out in the Daily Blog on the popular automotive website Edmunds.com, in a piece entitled "Trust in (MPG) Advertising—Don't be Fooled by Hwy Numbers," contained in Attachment 1. It was commendable of Edmunds to warn consumers, but it is up to the Commission to change its Guide to disallow the advertising Edmunds warned against.

The problem of single estimate ads didn't disappear after 2008. If one goes to GM's Saturn Division's site, Saturn.com, and clicks on "vehicles," the screen says "Meet the fuel-efficient lineup from the company that's rethinking everything. See Attachment B1. Clicking on one of the vehicles then brings up a screen that mentions only the vehicle's EPA highway estimate. (The screen for the Saturn Aura is in Attachment B2.) This GM advertising approach appears to raise serious issues about whether GM is complying with the current Guide's requirement that the estimated city mpg be disclosed when a general fuel economy claim is made. 16 C.F.R. §259.2(a)(1)(iii). Issues of this type would be avoided if the Commission does the right thing and changes the Guide to require disclosure of both city and highway estimates.

The experience with hybrids highlights the folly in allowing only the city or highway estimate in ads. Unlike traditional autos, which achieve considerably higher highway than city ratings, hybrids often receive higher city than highway ratings. This subverts the requirement in the current and Proposed Guide that the city rating be disclosed if a general fuel economy is made. Indeed, many consumers, familiar with EPA estimates, look at the high city estimate in a hybrid ad and conclude, based on past experience, that the unstated highway mileage must be even higher. Unfortunately, that is not the case. It is well known that hybrid owners ire over not achieving anything close to the EPA estimates for their vehicles, particularly the city estimate, was a key to their revising their system for deriving the estimates in 2006. Some of that consumer ire should have been directed at the FTC for allowing those grossly inflated city estimates to be the only ones appearing in hybrid ads.

² If a single EPA estimate is to be allowed in ads, it should be the city/highway combined estimate.

The Guide Should Require Ads to Clearly and Conspicuously Disclose the Vehicle Configuration to Which the Stated EPA Estimates Pertain

To understand why the above is necessary one need only look at current fuel economy ads. Looking at the biggest selling brand in the U.S. market, Toyota, if one goes to Toyota.com and moves the cursor to the top bar where it lists "cars," "trucks," "SUVs & Vans," and "Hybrids," a button pops up to "View All Vehicles." Clicking that button produces the screen contained in Attachment C1, which lists Toyota vehicles and shows EPA city and highway estimates for each. The estimates for the Camry are 22/33. If one goes to Fueleconomy.gov and looks up 2010 Camrys, one gets to the screen in Attachment C2, which shows there are three configurations of Camrys and that Toyota's stated mileage figures apply only to Camrys with 4 cylinder engines and 6 speed manual transmissions, and that 6 cylinder Camrys have considerably lower ratings of 19 city/28 highway. There is nothing on that page of Toyota's site or its clickable footnotes that discloses that the listed mileage estimates apply to just that one (very small-selling) configuration of Camrys. (Clicking on the footnote next to the estimates produce only the screen shown in Attachment C3, that these are EPA estimates.) Similar situations exist with the information shown for other vehicles in Attachment C1. The Toyota Corolla, for example, is listed at 27/35. Fueleconomy.gov shows those figures apply only to 2009 Corollas with a 1.8 liter engine and automatic transmission, and that Corollas with a 2.4 liter engine are rated at only 22 city/30 highway. Toyota lists the Tacoma truck at 20/26, but Fueleconomy.gov shows that applies only to 2009 Tacomas with 2.7 liter, 4 cylinder engines and 5 speed manual transmissions, and that 4 wheel drive Tacomas with 4.0 liter, 6 cylinder engines and 6 speed manual transmissions are rated at only 14 city/19 highway. We could go through similar analyses for some other Toyotas on the page, but the point is clear. It is difficult to believe that anyone would seriously argue that the failure to disclose the vehicle configuration to which the estimates apply is deceptive. And this problem is not limited to Toyota, going to other manufacturers websites will produce many more examples.

The problem of ads not disclosing the vehicle configurations for the estimates is neither new nor being newly pointed out to the Commission. It was specifically noted in a comment filed when the current Guide was proposed in 1985, with at least one example from an ad at that time, but the point was apparently ignored. Since then, countless fuel economy ads have followed that formula for deception by highlighting EPA estimate(s) from the most efficient configuration of a vehicle without noting that fact. If this Proposed Guide is adopted, there will be countless more.

Conclusion

Given the importance of fuel economy to consumers and the national interest, now is clearly the time to finally make the changes advocated in these comments. If making these changes requires another rulemaking notice so be it.

The Commission and Staff also need to think much more broadly of how they might facilitate the Obama Administration goal of increasing fuel economy. For example, perhaps the EPA estimates should be required to appear in ads beyond those making fuel economy representations, such as ads promoting engine power, performance, or acceleration. Mandatory disclosures in ads may also be appropriate to designate those vehicles that require a higher gasoline grade than "regular."

Respectfully submitted,

Evan W. Johnson Administrator

cc: David Vladeck

ATTACHMENT A

Truth in (MPG) Advertising - Don't be Fooled by Hwy Numbers

Have you noticed how all cars are suddenly being described as fuel efficient? That's because gas prices are on everyone's mind right now. So suddenly we're being told that the 2008 Chevrolet HHR (with a 2.2 L engine and 4speed transmission) gets 30 mpg! Will you get 30 mpg in the HHR? Probably not. That's because that 30 mpg rating is on the highway only.



Yes, I'm talking about

truth in advertising folks. Or the lack of it. Of course, manufacturers are entitled to present their product in the best possible light. But there's something misleading about posting only one fuel efficiency rating. Car buyers will see that number and think, "30 mpg? Great! I'll probably get that too."

Let's look at a car from our long term test fleet, another supposedly fuel efficient car, the 2008 Nissan Versa. What mpg would it be advertised at? 31 mpg. What does it get around town? 26 mpg. What did it get in a year's testing in our fleet? 26.7 mpg.(The 2009 Versa is advertised as getting "up to" 33 mpg, whatever that means.)

So many people are changing cars theses days trying to escape the curse of high gas prices. But they need to be realistic about the car they are considering. Take a moment to think about the percentage of highway and city driving you do. If you aren't honest with yourself about these fuel economy numbers you'll be changing cars again in a year.

And one more thing. Fuel economy isn't everything. You still need a car that you're going to love driving after a few years. So look at the Edmunds.com editors' and consumer ratings. Not all cars are created equally. And looking at fuel economy rating doesn't tell the whole story.

Posted by Philip Reed July 6, 2008, 4:17 AM

Categories

Technorati Tags: advertising, fuel efficiency, gas mileage, mpg

Permalink



13 Comments

By blackadder5639 on July 7, 2008 9:31 AM

I don't think there is any deception here. The EPA sticker on every new car on the lot states the city, highway and combined EPA rating. THe hwy rating is clearly indicated there, so I don't see why anyone would expect 30 mpg in combined use for a car like the HHR.

By John DiPietro on July 7, 2008 9:33 AM

The EPA now calculates a useful combined fuel economy average, something they didn't do in the past. However, it's not shown right off the bat.

When you look up a car's fuel ratings on fueleconomy.gov, you'll see its city and highway numbers; click on the underlined year/make/model link and then you'll see all three numbers: city, highway and combined.

The combined rating is a lot more realistic, as I've seen many folks averaging close to it with vehicles ranging from economy cars to trucks. That's the number to use when comparing one car to another.

By Lee Scott on July 7, 2008 9:52 AM

The deception is in vehicle advertising, especially local dealers. Take a look at this bit of fiction: http://www.jerseynissan.com/images/ads/ad_newmodels.jpg

By Dan Edmunds on July 7, 2008 10:17 AM

Advertising is quite a bit different from window stickers. Advertising is trying to get you to visit a certain brand or come to a specific dealership. Once you get there, you might learn the real story. But they know that once you're there, they've got a good chance of making a sale. They used to call that bait and switch.

The MPG rating of a given car is comprised of two figures, City AND Highway. One by itself is meaningless. The only single figure of merit is the EPA combined mpg, but even that one is mathematically derived from the city and highway figures.

But now, like Phil, I see a rash of single-figure ads touting fuel economy using the naked highway figure. There are usually no asterisks, no disclaimers, no statements of that this isn't the MPG you'll get day-in and day-out. It's deliberately misleading.

A local Toyota dealer lists the mpg figure for every car on a big sign attached to their building. They don't disclose it on the sign, but it's the highway figure—except for the Prius. They use the city figure for that one. No consistency—they used whatever number looked best.

I remember the car ads after the Arab oil embargo a couple of decades ago. And I remember prominent disclaimers had to be placed in the ads. No so this time around, it would seem. Not yet, anyway.

By Philip Reed on July 7, 2008 11:52 AM

It's funny how quickly we've gone from having a horsepower war to a fuel efficiency war. These numbers are thrown around to help people rationalize purchases that may or may not be wise for themselves. As "actual size" points out, there should at least be an asterisk to put people on notice that it's not all it claims to be.

By blackadder5639 an July 7, 2008 8:16 PM

I guess you guys have a point about the absence of disclaimers being potentially misleading. But still....it's advertising! If a car dealer tells you his car "starts from" \$15k but you know from experience that most (if not all) of them on his lot would cost between \$18k and \$22k, why should you completely trust him when he says the car gets 32 mpg?

This bait and switch advertising will/should only work on people who are either about to buy their first car or haven't bought in 20 years or so, but the vast majority of people aren't getting fooled!

PS: That Jersey Nissan advert clearly states that those figures are hwy figures.

By brn on July 8, 2008 5:14 AM

A local Kia dealer advertises 3-4 mpg ABOVE the EPA rated highway mileage. I called them to find out where they got the number from. They were jerks, but did eventually tell me that the EPA gives a possible range and they chose to advertise the top of that range.

Hopefully, people get to the lot and see that their cars don't get 38mpg and will storm off.

By Lee Scott on July 8, 2008 7:05 AM

BA, the NJ dealer ad has incorrect mileage figures. No Murano gets 26 mpg.

By jerrywimer on July 8, 2008 7:43 AM

Interestingly, things haven't really improved all that much as far as fuel economy goes, even in a period of over 30 years.

I say this after having seen a September 1977 issue of National Geographic in my local doctor's waiting room yesterday. In it, there was an advertisement for Toyota's (then) compact pickup, listing 34 mpg highway and 24 mpg city. None of the current crop of compact or midsized pickups does so well. I believe the reason this is so comes down mostly to there things:

- 1. Folks have been demanding more power (which usually = less fuel efficiency)
- 2. Folks have been demanding more, period (features, size, etc. which usually = lower fuel economy regardless of the engine toting it around)
- EPA requirements have lowered the overall fuel efficiency of the internal combustion engine in general, while cleaning up the emissions.

By Philip Reed on July 8, 2008 7:50 AM

Jerrywimer: I love looking at old car ads like the one you mentioned in the National Geo. But remember, there hasn't really been a strong reason to improve fuel economy until now. People were concerned about global warming in theory but it was only when gas prices hurt them that they became interested in fuel economy. We have five major problems all closely linked: high fuel prices, tightening oil supplies, climate change, urban congestion, international

ATTACHMENT B1



Don't see the right vehicle for you? Shop for new or Certified Pre-Owned GM Vehicles

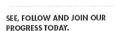






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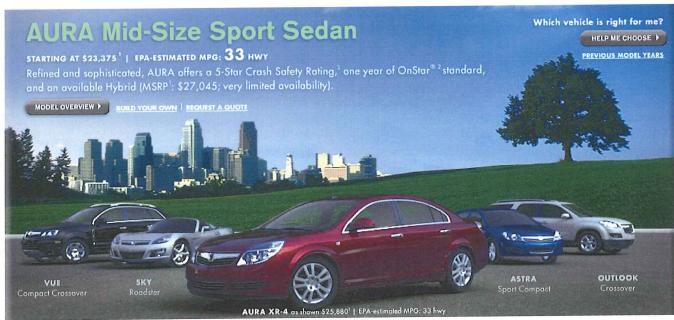
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- 1 Manufacturer's suggested retailer price. Tax, title, license, dealer fees, and optional equipment extra. Each retailer sets its own price.
- 2 Includes one-year Safe & Sound Plan. Call 1-888-40NSTAR (1-888-466-7827) or visit onstar.com for system limitations and details.
- 3 Side-impact crash test rating is for a model tested with standard head curtain side-impact air bags (SABs). Government star ratings are part of the National Highway Traffic Safety Administration's (NHTSA's) New Car Assessment Program (www.safercar.gov).
- 4 Based on GM Sport 2-Seat Regular segment. Excludes other GM vehicles.
- 5 Based on GM Mid-Car Sedan segment and EPA-est. MPG 33 hwy (gas), 34 hwy (hybrid). Excludes other GM vehicles.
- 6 Based on GM Compact Car Regular 5-door/wagon segment. EPA-est. MPG 24 city/32 hwy (manual).
- 7 Air bag inflation can cause severe injury or death to anyone close to the bag when it deploys. Be sure every occupant is properly restrained.
- 8 Turn-by-Turn Navigation requires Directions & Connections Plan. Not available in certain areas. Visit onstar.com for coverage maps.
- 9 Based on GM Mid Utility-Crossover segment and OUTLOOK FWD with EPA-est. MPG 17.
- 10 Monthly payment is \$16.67 for every \$1,000 financed. Average example down payment is 11%. Some customers will not qualify. See retailers for details. Take delivery by

ATTACHMENT B2



Don't see the right vehicle for you? Shop for new or Certified Pre-Owned GM Vehicles.









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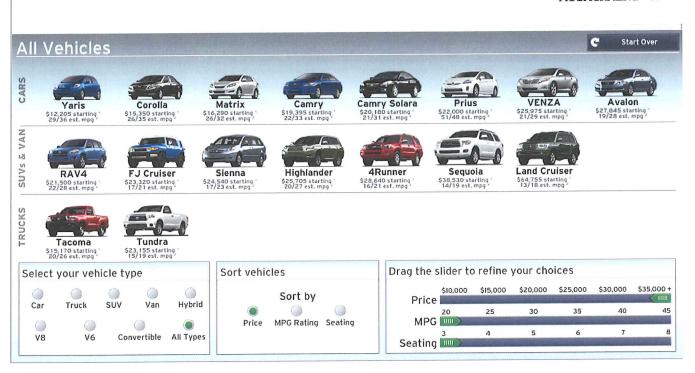
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1 Manufacturer's suggested retailer price. Tax, title, license, dealer fees, and optional equipment extra. Each retailer sets its own price.

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- 2 Includes one-year Safe & Sound Plan. Call 1-888-40NSTAR (1-888-466-7827) or visit onstar.com for system limitations and details.
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ATTACHMENT C1



HOME | CONTACT US | SITE MAP | YOUR PRIVACY RIGHTS | LEGAL TERMS | TOYOTA NEWSROOM | SIGN UP FOR INFO | @2008-2009 Toyota Motor Sales, U.S.A., Inc. All information applies to U.S. vehicles only.

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ATTACHMENT C2



^{*} Based on 45% highway driving, 55% city driving, 15000 annual miles and the price of fuel used by the vehicle. You may personalize these values to reflect the price of fuel in your area and your own driving patterns.

The carbon footprint measures greenhouse gas emissions expressed in CO2 equivalents. The estimates presented here are "full fuel-cycle estimates" and include the three major greenhouse gases emitted by motor vehicles: carbon dioxide, nitrous oxide, and methane. Full fuel-cycle estimates consider all steps in the use of a fuel, from production and refining to distribution and final use. Vehicle manufacture is excluded. (U.S. Department of Energy, GREET Model 1.7, Argonne National Laboratory)

ATTACHMENT C3

2010 EPA-estimated mileage. Actual mileage will vary.