



ANNIVERSARY

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Ann Carlson, Acting Administrator
National Highway Traffic Safety Administration
U.S. Department of Transportation
West Building, Ground Floor, Rm. W12-140
1200 New Jersey Avenue SE
Washington, DC 20590

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Attention: Docket ID No. NHTSA-2023-0022

Dear Acting Administrator Carlson:

The Specialty Equipment Market Association (SEMA) welcomes the opportunity to comment on the National Highway Traffic Safety Administration's (NHTSA) proposed Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027-2032.

On behalf of our more than 7,000 member companies and millions of automotive enthusiasts who support the industry, SEMA is concerned that NHTSA's proposed CAFÉ rulemaking will limit vehicle choice, significantly increase vehicle costs, and hurt small automotive businesses. If finalized, this proposal will force automakers to rapidly expand sales of electric vehicles (EV) and reduce sales of internal combustion engine (ICE) vehicles to avoid paying significant fines.

Background on SEMA

SEMA is a non-profit trade association representing over 7,000 primarily small businesses nationwide that manufacture, distribute, and retail specialty parts and accessories for motor vehicles. The industry supports over 1.3 million American jobs and contributes over \$336 billion annually to the U.S. economy through the production and sales of performance, functional, restoration, and styling-enhancement products for use on passenger cars, trucks, SUVs, and special interest collector vehicles. SEMA members market products that enable automotive enthusiasts to personalize the style and upgrade the performance of their vehicles, including everything from classic cars to four-wheel drive vehicles to dedicated race cars.

SEMA is most well-known for putting on the SEMA Show in Las Vegas, one of North America's largest trade shows. The 2022 SEMA Show featured over 2,000 exhibitors and included over 130,000 attendees, showcasing the latest trends in performance and styling modifications of motor vehicles. The annual, trade-only event enables automotive specialty equipment manufacturers to debut new, innovative products and connect with industry buyers from all over the world.

1575 S. Valley Vista Dr.
Diamond Bar, CA 91765-3914
909-610-2030

E-mail: sema@sema.org
Website: www.sema.org

While SEMA's and the broader automotive industry's roots are tied to ICE, the association prides itself on maintaining a forward-looking vision that enables all types of automotive enthusiasts to modify and personalize their vehicles of choice, including zero-emissions vehicles (ZEV). For example, SEMA has strongly supported efforts in California to create a financial rebate program to convert gas- and diesel-powered motor vehicles into ZEVs and has allocated increasing space to ZEVs at the SEMA Show over the past four years. The 2022 SEMA Show also featured over 60 exhibitors with over 21,000 square feet dedicated to promoting electric vehicle technology. Building upon the success of this exhibition, the 2023 SEMA Show will feature the "SEMA FutureTech Studio" in the Central Hall of the Las Vegas Convention Center. It will include more than 15 exhibitor booths showcasing parts and tools that cater to emerging technology, and more than 75 vehicles will help highlight the future of automotive innovation. The exhibit space will reflect the wide range of emerging vehicle propulsion technologies designed to address emissions and carbon-reduction concerns. Attendees will see the latest hybrid, clean hydrogen, compressed natural gas (CNG), and fuel cell solutions, along with promising new developments in "synthetic" biofuels. The SEMA FutureTech Studio reflects SEMA's "tech-agnostic" stance toward achieving cleaner, better-performing vehicles.

Proposed Rulemaking Impact on Consumers

NHTSA's proposed fuel economy standards for model years 2027 to 2032 would require a two percent-per-year improvement in fuel efficiency for cars and a four percent-per-year improvement for light trucks. While the proposed increases appear modest on face value, automakers would be required to meet an average fleet fuel economy of nearly 58 miles per gallon (mpg) for model year 2032 vehicles. This proposal builds on extremely aggressive CAFÉ standards that require an eight percent increase in fuel economy for cars and light trucks for both 2024 and 2025 model years, followed by a ten percent increase in 2026, resulting in a fleet average of 49 mpg.

Automakers and their suppliers continue to make significant progress in improving the fuel economy of ICE vehicles. However, the only way for OEMs to comply with the proposed standards is to rapidly increase sales of electric vehicles and sell fewer ICE vehicles. The alternative for automakers is to pay massive fines for not meeting the proposed standards. The Alliance of Automotive Innovation maintains that automakers would be forced to pay over \$14 billion in penalties under this proposal and would be subject to fines on 50% of MY 2027 to 2032 light trucks and 33% of MY 2027 to 2029 passenger cars.¹ If finalized, this proposal will inflate the price of new vehicles, with American consumers ultimately paying these fines, which will be priced into each car, truck, SUV, and crossover.

Sadly, purchasing a new vehicle is not financially feasible for a growing number of families in America. The proposed CAFÉ standards will exacerbate this problem. According to an April 2023 report from Kelley Blue Book, the average cost of a BEV is \$58,000, which is over 20% more than the average cost of a non-BEV.² The average price of a BEV outpaces the U.S. median salary in 2022 of \$54,132, as reported by the Bureau of Labor Statistics.³ In addition to the increased up-front costs to consumers to purchase a BEV, J.D. Power reported that approximately 28 million American homeowners must spend, on average, an additional \$1,300 to install at-home chargers, putting extra financial burden on American consumers.⁴

¹ [Automotive News: Automaker group warns NHTSA's fuel economy proposal could threaten EV transition](#)

² [Kelley Blue Book: New-Vehicle Transaction Prices Trend Downward as Incentives Rise](#)

³ [First Republic: How Much Does the Average American Make in 2022?](#)

⁴ [J.D. Power: What Does an EV Home Charger Cost?](#)

SEMA supports the goal of improving fuel economy and reducing greenhouse gas emissions from motor vehicles. Still, it can't come at the expense of the American people's ability to choose the vehicle technology that works best for their families. The proposed CAFÉ standards will reduce consumer choice by encouraging automakers to phase out ICE vehicles, especially those less profitable models. The U.S. Environmental Protection Agency's (EPA) 2022 Automotive Trends Report found that the market has shifted significantly from smaller sedans to larger SUVs and trucks. In 1975, sedans and station wagons accounted for 80% of the vehicles on the road. Today, sedans and station wagons' share of the market is only 26% in 2021, with many automakers phasing out these vehicle types completely, while the SUV and truck market share has grown to 45% and 16%, respectively.⁵ At a time when you can no longer purchase a new vehicle for under \$20,000, it is problematic that NHTSA is advancing a proposal that will result in fewer choices for American families looking to buy a new vehicle in the coming years.

Impact on Small Business

It is crucial that automotive policy solutions remain technology neutral. However, this proposal, along with the EPA's proposed multipollutant standards and the Department of Energy's efforts to change the Petroleum Equivalency Factor (PEF), appears to be a coordinated effort to make electrification the de facto technology choice for reducing emissions. A large-scale transition to EVs over a truncated timeline will significantly disrupt automotive supply chains and potentially eliminate many jobs in vehicle manufacturing, parts production, and repair shops. Accordingly, government policies must be technology-neutral to ensure they do not unnecessarily hurt small business innovators and the hundreds of thousands of men and women their companies employ. SEMA members want to continue to be part of the solution to making vehicles more efficient and reducing emissions. The best way to accomplish this goal is to let the market and innovation drive solutions to the environmental challenges we all seek to solve.

The specialty automotive aftermarket has led technology innovation, making vehicles more fuel-efficient, safer, and more appealing to consumers. According to SEMA's data, 55% of our manufacturing businesses produce components for ICE vehicles, including parts for air and fuel, ignition, emissions controls, engine parts, and exhaust systems. To put this in perspective, 33% of consumer spending on performance and accessory products goes toward upgrading ICE engines and drivetrains. That's nearly \$17 billion of the \$52 billion consumers spend each year on specialty aftermarket products.

It is no secret that large automakers' EV programs are losing billions each year despite the massive financial infusion of taxpayer dollars they receive from the government and subsidies to purchase EVs. If the largest automakers are struggling right now, how are small automotive businesses, including specialty aftermarket, repair and replacement parts businesses, and local garages, expected to survive when the federal government is forcing automakers to produce EVs that a large segment of the American public has not embraced?

CAFÉ Proposal Exceeds NHTSA's Legal Authority

While the proposed rules will limit consumer options for new vehicles and drive-up costs, SEMA is particularly concerned that NHTSA considered EVs when developing its proposed standards, which runs counter to the statutory prohibition of the program. NHTSA is required to set "maximum feasible" CAFÉ standards for passenger cars and light trucks at levels that automakers can meet based on four factors: (i) technological feasibility, (ii) economic practicability, (iii) the effect of other motor vehicle standards of the Government on fuel economy, and (iv) the need for the United

⁵ [EPA: 2022 Automotive Trends Report](#)

States to conserve energy.⁶ We believe that the proposed standards are beyond NHTSA's legal authority because automakers cannot meet the proposed CAFÉ standards by selling ICE vehicles. Accordingly, this proposal is effectively a backdoor mandate for automakers to produce EVs to meet the standards.

Conclusion

While the automobile's roots are tied to the internal combustion engine, SEMA prides itself on maintaining a forward-looking vision that embraces innovative technology, including EVs and other zero-emissions vehicles. The specialty automotive aftermarket has led the way with alternative fuel innovations, from replacing older engine technologies with newer, cleaner versions to converting older ICE vehicles to new electric, hydrogen, and other alternative-fuel vehicles.

SEMA has serious concerns with this proposal, which requires automakers to dramatically increase the number of EVs they produce and reduce the number of ICE vehicles they manufacture or pay billions of dollars in fines that are ultimately passed on to the American people. The proposed CAFÉ will lead to higher prices for newer vehicles, hurting U.S. consumers and small automotive aftermarket businesses.

SEMA thanks NHTSA for considering our comments on the proposed CAFE Standards for Model Years 2027 to 2032 passenger cars and light trucks.

If you have any questions about the comments, please contact me at MikeS@sema.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Spagnola", with a horizontal line underneath it.

Mike Spagnola
President & CEO
Specialty Equipment Market Association (SEMA)

⁶ 49 U.S.C. § 32902(f).