

Drivers Love their SUVs, but We're Paying a High Price

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Article:

I noticed something about myself as I drove to Charlotte recently on I-85. When I was in the left lane and a car wanted to pull in front of me to join the parade of left-lane vehicles, I tended to let it in. But when a sport-utility vehicle, or SUV, wanted in, I tended to speed up ever so slightly to prevent it from pulling in front of me.

Economics predicts that people are more likely to be kind to others when the cost of doing so is less. That's why many of us let grocery carts with just a few items go ahead of us in the check-out line, while only a few of us let full carts go through. The person with a handful of items doesn't impose a significant cost on us (in terms of additional waiting time), but the person with a full cart does.

Similarly with me and SUVs. Cars don't obstruct my field of vision, but SUVs do. Like many drivers, I prefer more vision to less, and that means that SUVs impose a cost on me that regular cars don't.

In fact, SUVs impose costs on those around them in a number of ways.

Pollution

Automotive air pollution is a function of gas mileage; the more gas burned, the more pollution generated. The primary tool the U.S. government uses to regulate gas mileage is its Corporate Average Fuel Economy (CAFE) standards. CAFE requires each automaker to meet an average fuel-economy standard for all the vehicles it sells each year.

But light trucks and SUVs are held to a lower standard than cars are. The CAFE standard for cars is 27.5 miles per gallon, while the standard for light trucks and SUVs is just 20.7 miles per gallon.

That wasn't such a problem back in 1975, when federal fuel-economy standards were first adopted. Light trucks were understood then to be pickup trucks used by farmers and businesses. They accounted for about a fifth of the total market for lighter vehicles (i.e. excluding large trucks).

In the years after 1975, there were two big developments. First, the inflation-adjusted price of gasoline fell steadily. That's important because when it comes to gasoline use, nothing matters more to drivers than the price of gas. In fact, this is why CAFE isn't the most effective way for the government to regulate gasoline use. But that's a subject for another column.

Second, the federal government classified SUVs as light trucks, even though they compete more directly with passenger cars than with trucks. You've probably heard SUV owners extol the car-like features of their vehicles and condemn the truck-like features of others. CAFE had made it difficult for automakers to meet the demand for big cars, but now they could sell big car-like vehicles while still following CAFE rules.

The combination of these two developments led drivers to buy more and more SUVs. These days SUVs and light trucks account for over half of all lighter vehicles sold. And the average fuel economy for all vehicles has fallen to its lowest level since 1980.

I'm not blaming individual consumers for this, because it made sense to buy SUVs in the context of this government policy. But it's bad policy, because SUVs emit significantly more air pollutants than regular cars do. Therefore, SUV use generates costs, in terms of clean-up and reduced environmental quality, that must be borne by the rest of us.

Whether or not the CAFE approach is the right one, it makes little sense for the government to treat SUVs differently than cars, especially when in economic terms they essentially *are* cars. The principles of a free market imply that government policy should affect our decisions as little as possible, not skew them in ways that are detrimental to society.

Safety

SUV owners point to safety as one of the primary reasons they purchase them. Unfortunately, feeling safe is not the same as being safe. And even being safe can be problematic if others are endangered.

The most publicized safety issue regarding SUVs has been their propensity to roll over. Rollovers account for 62 percent of SUV deaths but only 22 percent in cars, apparently because of SUVs' smaller ratio of tire-track width to vehicle height. But I won't deal with that issue here, because I want to talk about the costs SUVs impose on others, not on their own passengers.

SUV owners like being above the traffic (hence my visibility problem when I'm behind them). But because SUV bumpers are so high, a collision between an SUV and a car means that the point of impact is often above the car's crash-protection frame. The stiffer chassis and greater mass of SUVs add to the problem.

What do the data say? A Los Angeles Times study found that the combined safety risk of SUVs (taking into account the harm on both sides of collisions) is higher than for mid-sized and large cars because of the excess damage inflicted on other cars.

A study conducted for the National Highway Transportation Safety Administration found that SUVs were nearly three times as likely as cars to kill other drivers in a crash. In side collisions, the driver of the struck vehicle is nearly seven times more likely to die as the driver of the striking vehicle; but when the striking vehicle is an SUV, that ratio shoots up to 30 times.

And visibility ahead doesn't translate to visibility behind. Recent research by Consumers Union found larger blind spots in SUVs than in regular cars (to be fair, pickup trucks were even worse). The test used traffic cones of the same height as a typical two-year-old. Think about that the next time you back up.

Unfortunately, the solution proposed by the automobile industry is to enhance the safety features of *other* cars, not to improve the design of SUVs. Perhaps jokes about an "SUV arms race" and people driving around in tanks aren't so far-fetched.

Intimidation

This is related to safety, because how we drive is at least as important as what we drive. When one feels immune to risk, one tends to act less safely.

You may have seen the recent "60 Minutes" story about SUVs, which quoted a psychologist and automobile-industry consultant about why people buy SUVs. He said that it's not about safety or roominess or any of the other reasons people cite. And of course a very small minority of SUV owners actually take their vehicles off-road. Most of them don't have the undercarriage clearance to do so anyway.

The psychologist said the real reason is that people want to project a tough and intimidating image when they drive down the street. Ads for SUVs certainly tap into this motivation. General Motors in particular has been

aggressive in marketing its Cadillac Escalade, in commercials in which trains stop at railroad crossings to let the Escalade pass, and other cars scurry away when the Escalade shows up.

Taxes

In 1996, the federal government created a tax break for business vehicles weighing more than 6,000 pounds. It was designed to help farmers and small business owners, but now about 40 models of light trucks and SUVs surpass the three-ton threshold and thereby qualify for a tax break that is unavailable to regular cars. Small business owners, even self-employed consultants who carry equipment no heavier than a briefcase, are well aware of this.

The tax break takes the form of an accelerated depreciation schedule. In 2002, the purchase of a \$45,000 SUV generated a first-year tax deduction of \$33,240, while the purchase of a \$45,000 car generated a deduction of only \$7,660. Faced with this incentive, what type of vehicle would *you* buy? Interestingly, the extra deduction for fuel-efficient hybrid electric vehicles was a paltry \$2,000. It's clear what kind of vehicle our tax policy favors.

Taxpayers for Common Sense estimated that the tax break cost between \$840 million and \$987 million for every 100,000 vehicles sold to businesses last year. Because 8.7 million new light trucks and SUVs were sold in 2002, the total cost to taxpayers was certainly in the billions of dollars. By way of comparison, the federal tax credit for teachers who buy their own school supplies costs less than \$250 million per year. Makes one wonder about our commitment to education.

What's really amazing is that the recently enacted federal tax cuts have made this imbalance truly breath-taking. In 2003, small-business owners will be able to deduct the *entire* cost of virtually all heavy SUVs on the market! The deduction for regular cars was raised only marginally.

Where does all this leave us? SUVs obscure visibility for other drivers, they pollute more than regular cars do, they're a greater hazard to other drivers than regular cars are, and their drivers may be aggressive. This is the type of vehicle a sensible society would want to cut back on. Instead, because of wrong-headed government policies that give SUVs preferential treatment, they're everywhere. And they don't even pay their fair share of taxes.

The economic implication is clear: there are too many SUVs on the road and their price is too low. SUVs need to cost more, with the excess price being used to compensate the rest of us for their excess damage to our environment and our safety. At the very least, SUVs should be subject to the same gas-mileage and tax rules as regular cars.