

# “Cash for Clunkers”

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- Also called “Scrappage” and “Fleet Modernization”
  - This program provides the opportunity for consumers to trade in an older, less fuel efficient vehicle for a new, cleaner, more fuel efficient one
  - 15 other countries have adopted various programs which resulted in dramatic increases in vehicles sales – the most successful programs have imposed the least restrictions
    - ❖ Germany: Feb +21%, Mar +40%
    - ❖ France: Mar +8%
    - ❖ China: Feb +29%, Mar +8%
    - ❖ Slovakia: Mar +18%
  - By contrast, other countries that do not have such programs had declining sales
    - ❖ United States: Feb -41%, Mar -37%
    - ❖ U.K.: Feb -22%, Mar -30%
    - ❖ Russia: Feb -38%, Mar -47%
    - ❖ Japan: Feb -24%, Mar -25%

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- The Congressional bill – chief sponsor Betty Sutton D-Ohio – was approved in the House on Tuesday, June 9, 2009
- The Senate bill – sponsored by Debbie Stabenow D-Michigan – was approved in the Senate on Thursday, June 18, 2009
- The bill that passed doesn't disadvantage the Detroit 3 automakers – *GM and the UAW support this program*
  - Of the 68% of passenger cars eligible, 25% are Detroit 3
  - Of the 51% of regular light trucks eligible, 50% are Detroit 3
  - Of the 96% of large light trucks eligible, 87% are Detroit 3
- An alternate version of the bill sponsored by Diane Feinstein, D-California, favored imports, so this is a win for the domestics

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## ❖ Bill details:

**Road Rules** | How the congressional 'clunker' bill would work

Requirements for trade-in vehicle	Requirements for new vehicles bought with the trade-ins		
 <ul style="list-style-type: none"><li>18 mpg or less, built in 1984 or after, drivable condition</li><li>must be registered in purchaser's name and owned for 1 year</li></ul>	 <p>New car:</p> <ul style="list-style-type: none"><li>at least 22 mpg and under \$45,000</li><li>\$3,500 subsidy for car with 4 mpg improvement</li><li>\$4,500 for 10 mpg improvement</li></ul>	 <p>Small light-duty trucks:</p> <ul style="list-style-type: none"><li>at least 18 mpg</li><li>\$3,500 subsidy for 2 mpg improvement</li><li>\$4,500 for 5 mpg improvement</li></ul>	 <p>Large light-duty trucks:</p> <ul style="list-style-type: none"><li>at least 15 mpg</li><li>\$3,500 subsidy for 1 mpg improvement</li><li>\$4,500 for 2 mpg improvement</li></ul>

## ❖ Trade-in vehicles must:

- Be in drivable condition
- Be continuously insured and registered to the same owner for at least one year
- Have a combined fuel economy value of **18** mpg or less (work trucks must be pre-2002 regardless of mpg)
- Not be more than 25 years old with historic or aesthetic value

## ❖ Funding:

- Redirected recovery funds identified by the Obama Administration for this purpose

## ❖ Length:

- July 1, 2009 to November 1, 2009. Possible retroactive for a \$3,500 voucher if the owner can prove that they were a registered owner and scrapped the vehicle in accordance with the requirements of the program – retroactive use will be determined when President Obama signs the bill.

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## ❖ New Vehicles:

- The new vehicle must have an MSRP of less than \$45,000

### – Passenger Cars:

- The old vehicle must get 18 mpg or less.
- New passenger cars of at least 22 mpg are eligible for vouchers
- If the mileage of the new car is at least 4 mpg higher than the old vehicle, the voucher will be worth \$3,500
- If the mileage of the new car is at least 10 mpg higher than the old vehicle, the voucher will be worth \$4,500
- **Example:** 2007 Impala to 2010 Impala – 2007 Impala gets 22 mpg combined, so no voucher

### – Small Trucks and SUVs:

- The old vehicle must get 18 mpg or less.
- New small trucks or SUVs of at least 18 mpg are eligible for vouchers
- If the mileage of the new truck is at least 2 mpg higher than the old vehicle, the voucher will be worth \$3,500
- If the mileage of the new truck is at least 5 mpg higher than the old vehicle, the voucher will be worth \$4,500
- **Examples:**
- 2007 Equinox to 2010 Equinox – 2007 Equinox gets 20 mpg combined, so no voucher
- 2007 TrailBlazer to 2010 Equinox – TrailBlazer gets 16 mpg combined and the Equinox gets 26 mpg combined, so the customer gets a \$4,500 voucher



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## – Large Light-Duty Trucks:

- The old vehicle must get 18 mpg or less.
- New large trucks (p/u and vans weighing between 6,000 and 8,500 lbs) of at least 15 mpg are eligible for vouchers
- If the mileage of the new truck is at least 1 mpg higher than the old vehicle, the voucher will be worth \$3,500
- If the mileage of the new truck is at least 2 mpg higher than the old vehicle, the voucher will be worth \$4,500
- **Examples:**
- 2006 Silverado to 2010 Silverado (1500 V6) – original fuel economy rating for the 2006 truck was 18 mpg, it was recalculated by the EPA as 16 mpg combined and the new truck gets 17 mpg combined, so the customer may get a \$3,500 voucher
- 2006 Silverado to 2010 Silverado (1500 V8) – original fuel economy rating for the 2006 truck with the 4.8L was 18 mpg, it was recalculated by the EPA as 17 combined and the new truck with the 5.3L gets 16 combined, so no voucher
- 2006 Express to 2010 Express (1500 Cargo V6) - original fuel economy rating for the 2006 van was 17 mpg, it was recalculated by the EPA as 15 mpg combined and the new van gets 17 mpg combined, so the customer may get a \$4,500 voucher
- 2006 Express to 2010 Express (1500 Cargo V8) - original fuel economy rating for the 2006 van was 17 mpg, it was recalculated by the EPA as 16 mpg combined and the new van gets 15 mpg combined, so no voucher

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## – Work Trucks:

- Consumers can trade in a pre-2002 work truck (p/u or cargo van weighing between 8,500-10,000 lbs) and receive a voucher worth \$3,500 for a new work truck in the same or smaller weight class
- Only 7.5% of the total funds can be used for vouchers for the purchase or lease of a work truck
- There are no EPA mileage measures for these trucks, however because newer models are cleaner than older models, the age requirement ensures that the trade will improve environmental quality
- Consumers can “trade down”, and receive a \$3,500 voucher for trading in an older work truck and purchasing a p/u or van weighing between 6,000-8,500 lbs

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- Examples:

Old vehicle (model / mpg)		New Vehicle (model / mpg)		Voucher
2007 Impala	22	2010 Impala	22	no
2007 Equinox	20	2010 Equinox	26	no
2007 TrailBlazer	16	2010 Equinox	26	\$4,500
2006 Silverado 1500 V6	18/16*	2009 Silverado 1500 V6	17	\$3,500 maybe+
2006 Silverado 1500 V8	18/17*	2009 Silverado 1500 V8	16	no
2006 Express 1500 Cargo V6	17/15*	2009 Express 1500 Cargo V6	17	\$4,500 maybe+
2006 Express 1500 Cargo V8	17/16*	2009 Express 1500 Cargo V8	15	no

\* Recalculated using new EPA rules

+ depending on whether the CFC bill uses the original or recalculated EPA values

# “Cash for Clunkers” FAQs

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Q: Is CFC compatible with business vehicles?

A: Yes

Q: Is CFC compatible with CAPs?

A: Yes

Q: Can government fleets use CFC?

A: Yes, except for the Federal Government.

Q: Will the EPA use original fuel economy values or the recalculated values that are on their website?

A: The EPA will use the new, recalculated values.

Q: Is there any provision for vehicles above 10,000 GVWR?

A: No, vehicles over 10,000 GVWR are not included in the bill.

Q: Is there a limit on the quantity of vouchers per household or business?

A: No limit, but customers can only use one voucher per new vehicle.

Q: Does a customer get a voucher and a trade-in value from the dealer?

A: No, customers will use one or the other. Vehicles that use vouchers will be scrapped. There will be a website for dealers to register and process the vouchers – <http://cars.gov>



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