



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 23, 2006

H.R. 5632

**A bill to amend chapter 301 of title 49, United States Code,
to establish a national tire fuel efficiency consumer
information program, and for other purposes**

*As ordered reported by the House Committee on Energy and Commerce
on June 20, 2006*

CBO estimates that implementing H.R. 5632 would have no significant impact on federal spending. Enacting the bill would not affect direct spending, and would have an insignificant impact on revenues.

Under the bill, the Secretary of Transportation would require tire manufacturers to inform consumers about the effects of tire maintenance on a vehicle's fuel economy. In addition, the Secretary would create a fuel efficiency rating system for tires and set uniform testing procedures for tire manufacturers to rate the fuel efficiency of their products.

The National Highway Traffic Safety Administration (NHTSA), within the Department of Transportation, regulates and tests vehicles and equipment for highway safety and administers a fuel economy program. Based on the cost of NHTSA's automotive safety regulations program, CBO estimates that implementing the new tire rating program would cost about \$3 million over the 2007-2011 period, assuming the availability of appropriated funds. CBO estimates that any fines assessed on tire manufacturers for noncompliance would not have a significant impact on federal revenues.

H.R. 5632 would preempt state and local authority to implement their own consumer information laws or regulations on fuel efficiency of tires; that preemption constitutes an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates, however, that the preemption would impose insignificant additional costs on state, local, or tribal governments that would be well below the threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

H.R. 5632 would impose private-sector mandates, as defined in UMRA, on manufacturers and retailers of motor vehicle tires. Based on information from government and industry sources, CBO estimates that the total direct cost of those mandates would fall below the

annual threshold established by UMRA for private-sector mandates (\$128 million in 2006, adjusted annually for inflation).

The bill would direct the Secretary of Transportation to implement rules regarding a national fuel efficiency rating system for tires and the specifications for test methods that manufacturers must use in assessing and rating the fuel efficiency of tires. According to industry sources, the implementation costs for manufacturers associated with testing and rating tires could amount to about \$35 million to cover the cost of capital investment in equipment, testing existing products, and the administrative cost of setting up compliance systems. In the year following implementation, industry sources estimate that the annual ongoing costs of compliance would fall significantly.

The bill also would require tire retailers to provide consumers with information on the fuel efficiency rating of motor vehicle tires at the point of sale. The requirements of the mandate would depend upon future decisions made by the Secretary of Transportation during the rulemaking process. Industry and government sources suggest, however, that retailers may likely be required to provide information brochures to consumers or display some form of signage at the point of sale. According to industry sources, there are about 40,000 tire retail outlets that may have to distribute information about the tire efficiency of tens of thousands of models of tire products. Further, those sources indicate that brochures could cost as much as 10 cents per copy. Because of the uncertainty regarding the future rulemaking by the Secretary, CBO cannot determine the cost of the mandate. Based on information from industry and government sources, however, CBO expects the costs of this mandate would be small relative to the annual threshold established by UMRA.

The CBO staff contacts for this estimate are Gregory Waring (for federal costs), Lisa Ramirez-Branum (for the state and local impact), and Craig Cammarata (for the impact on the private sector). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.