February 13, 2018

Secretary Elaine L. Chao  
US Dept of Transportation  
1200 New Jersey Avenue, SE  
Washington, DC 20590

Administrator Scott Pruitt  
Environmental Protection Agency  
Mail Code: 1101A  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

Dear Administrator Pruitt and Secretary Chao:

This letter supplies additional corrections to technical information in our March 2017 report, “A Macroeconomic Study of Federal and State Automotive Regulations with Recommendations for Analysts, Regulators, and Legislators.” The study was launched in January 2016 with financial support to Indiana University from the Alliance of Automobile Manufacturers but the study was conducted in a sponsored research agreement that ensured that the authors had the freedom to undertake the study independently. The findings and recommendations, as well as this letter, are solely the work of the authors and do not necessarily represent the views of the Project Peer Review Advisory Board, Indiana University, or the Alliance.

In the course of replicating our results, one commenter identified an additional coding error in one of our five data sets, COMET-2016. The error impacts our estimates of fuel savings, which in turn impact some of our macroeconomic results (using the REMI model). We have corrected the coding error and produced corrected modeling results. The corrected technical information is available on the SPEA web site at http://go.iu.edu/169d. Note that these corrections are different from those that we reported on January 16, 2018 (as those corrections relate to a different input, the comet vehicle price premium).

Specifically, since the corrections boost fuel savings in light trucks, they lead to a larger macroeconomic stimulus throughout the time horizon of the study (2017-2035). The corrected versions of Figures 8.12, 8.13, and 8.14 display results for COMET-2016 that are similar to the results for the other four data sets analyzed in our March 2017 report. The same pattern of corrections affect our “combined” macroeconomic results for all three causal mechanisms (compare Figures 8.16, 8.17, and 8.18 in our March 2017 report to the corrected figures on the SPEA web site). Perhaps the biggest change occurs for our “Cumulative” GDP results for 2017-2035. In our March 2017 report, our COMET-2016 results for GDP were negative for the
2017-2035 period ($-52.1 billion); the corrected results are now positive for the same time period ($+137.5 billion). For the 2017-2025 period, the corrected cumulative results remain negative, but the magnitude of negative impact is much smaller (e.g., the cumulative negative GDP impact falls from $-92.6 billion to $-54.1 billion).

In summary, the corrected modeling results for COMET-2016 suggest more favorable economic impacts from the federal and state regulations than we reported in our March 2017 report. However, the corrections basically align the COMET-2016 results with the results from the other four data sets used in our study. The corrected results do not lead to any changes in our basic analytic findings (i.e., economic harm in the short run offset by larger economic gain in the long run, and less positive results with 2016 inputs compared to 2012 inputs) or our policy recommendations.

We hope that the corrected technical information will be helpful to agency analysts as they complete the technical aspects of the midterm review. We are certainly willing to answer any questions or supply additional information upon request.

Sincerely,

John D. Graham, Ph.D.
Dean

Associate Professor Sanya Carley
Associate Professor Denvil Duncan
Assistant Professor Saba Siddiki
Assistant Scientist Nikos Zirogiannis