

# Cafe regulations research paper example

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The use of gasoline associates with many external costs that bring about many geopolitical and environmental concerns. The economic and security risks associated with automobile production have a lot of implications on climate change and local pollution. Automobile producers must adhere to the policies that govern the manufacture of vehicles under the fuel economy standards. Policies that minimize gasoline consumption are of significance and Corporate Average Fuel (CAFE) has stressed more on the adherence to the standards. CAFE standards provide limit on the average fuel economy of automobile sold by a particular company in each year (National Academy of Sciences 13-17). The standards are separate for cars and trucks because they have different fuel consumption levels. Ford, Chrysler, and General Motors have a duty of ensuring fuel economic standards are met in order to increase the stringency of CAFE.

CAFE standards require that of all cars sold by a given company in a given year, the average fuel economy is more than the minimum level. Automobile producers work hard to maximize profits at the lowest cost possible. Ford, Chrysler, and General Motors producers work as oligopolists in the subject to fuel economy regulation. The firms should select prices that maximize profits and earn more revenue compared to producers of cars. The introduction of CAFE regulations has a significant effect on the firms' profit earned because of high probability of violating the rules. The manner in which the companies comply with CAFE regulations is balanced by the overall cost of violation. Ford, Chrysler, and General Motors ought to make more profits by selling of many high efficiency vehicles while they adhere to the CAFE regulations. In addition, given that the average fuel economy of manufactured cars is less

than the CAFE requirement poses another high risk in the firms (National Academy of Sciences 25-31).

On the other hand, foreign competitors like Toyota make smaller cars and light-duty trucks whose average fuel economy is approximately the minimum required level by CAFE. Ford, Chrysler, and General Motors producers have to calculate the corporate average fuel economy in order to ensure they get earn more profits and at the same time meet CAFE regulations. The firms should aim reducing fuel consumption by producing fuel efficiency trucks, but the change comes at a cost. Fuel efficiency vehicles require more expensive materials, more complexity during manufacturing, and high tradeoff with other vehicles. In addition, the manufacturing team will incur the cost of research and development, high pensions, advertising costs, and maintenance cost before the vehicle get used to the environment (National Academy of Sciences 24-25).

Cost estimation starts with identification of the major changes in the automobile components and design. The team will then come up with a cost estimation plan for all affected items. Moreover, technology plays a significant role in vehicle innovations because automation increases fuel efficiency. Manufacturers must also ensure the manufactured vehicles are environmental friendly by following the Environmental protection Agency rating of fuel economy and greenhouse gas emission. The produced vehicle should have a rating of more than 7 in order to meet the CAFE standards, and also to receive high demand from consumers. Purchase of more fuel-efficient vehicle assists in reducing the country dependency on petroleum (EPA 2-5). Ford, Chrysler, and General Motors firms should also focus on

producing trucks that use low-carbon fuel like compressed natural gas (CNG) in order to reduce fuel dependency and promote environmental sustainability.

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