



## Press Release

### **J.D. Power and Associates Reports:**

### **Despite Rising Fuel Prices, the Outlook for “Green” Vehicles Remains Limited for the Foreseeable Future**

#### Share of Hybrid and Electric Vehicles Is Expected to Remain below 10 Percent Of the U.S. Market through 2016

**WESTLAKE VILLAGE, Calif.: 27 April 2011** — Growth of alternative powertrain vehicles sales will be limited by consumer concerns about costs as well as functionality, according to the J.D. Power and Associates 2011 U.S. Green Automotive Study<sup>SM</sup> released today. Despite a rapid increase in the number of alternative powertrain vehicle models projected for the next several years, automakers will be fighting over the relatively few consumers who are willing to drive green.

The inaugural study examines attitudes of U.S. consumers toward four primary alternative powertrain technologies: hybrid electric vehicles; clean diesel engines; plug-in hybrid electric vehicles; and battery electric vehicles. The study gauges consumer consideration rates of these powertrain types for their next new vehicle purchase and explores specific perceived benefits and concerns that factor into the decision-making process.

#### **For Most Consumers, Cost Matters More than the Environment**

While consumers often cite saving money on fuel as the primary benefit of owning an alternative powertrain vehicle, the reality for many is that the initial cost of these vehicles is too high, even as fuel prices in the United States approach record levels. Reduced expenditure on fuel is the predominant benefit cited by consumers for each of the primary alternative powertrain technologies examined in the study. Although the environmental benefits of these vehicles are recognized, they are mentioned far less frequently than saving money on fuel. For example, 75 percent of consumers who indicate they would consider a hybrid electric vehicle cite lower fuel costs as a main benefit. In contrast only 50 percent cite ‘better for the environment’ as a main benefit of these vehicles.

Consumers who are not considering an alternative powertrain vehicle also recognize the fuel-cost savings these vehicles can offer. However, they cite significant perceived or actual impediments to ownership in addition to purchase price, including driving range, increased maintenance costs and compromised vehicle performance. These consumers are far more likely to switch into a more fuel-efficient vehicle powered by a traditional internal combustion engine than an alternative powertrain vehicle.

“Alternative powertrains face an array of challenges as they attempt to gain widespread acceptance in the market,” said Mike VanNieuwkuyk, executive director of global vehicle research at J.D. Power and Associates. “It is the financial issues that most often resonate with consumers, whether it is the higher price of the vehicle itself, the cost to fuel or charge the vehicle, or the fear of higher maintenance costs. The bottom line is that most consumers want to be green, but not if there is a significant personal cost to them.”

According to VanNieuwkuyk, concern about the purchase price of alternative powertrain vehicles—particularly for hybrid electric vehicles—has become even more of an issue in 2011. At the end of 2010, tax credits from the Energy Policy Act of 2005 were phased out.

“Hybrid electric vehicles have been available in the automotive market for more than 10 years, and consumer awareness and understanding of them has grown during that time,” said VanNieuwkuyk. “As concerns about the functionality and performance of hybrid vehicles have abated, vehicle price has become more prevalent as the

primary purchase impediment. Without a tax credit to offset the price premium, consumers must absorb all of this additional cost. Furthermore, aggressive government subsidies are unlikely to be sustainable over the long term. Ultimately, the true cost of the technology needs to come down substantially.”

Although there are also significant price premiums for battery electric vehicles, functional concerns are more likely to limit consideration rates for this powertrain. Driving range and the availability of charging sites away from home are the two concerns cited most often by those not considering this powertrain. This “range anxiety” contributes to the lowest consideration levels of the primary alternative powertrain technologies.

For clean diesel engines, fuel prices and availability—factors largely out of the control of vehicle manufacturers—have long been impediments to acceptance of the technology. Furthermore, negative perceptions of older diesel-powered vehicles continue to affect perceptions of clean diesel vehicles, as concerns about emissions and exhaust odor are mentioned frequently.

“Advocates of clean diesel engines tend to be some of the most vocal among consumers who tout the benefits of their chosen technology,” said VanNieuwkuyk. “However, this consumer group is relatively small. Clean diesel technology continues to struggle not only against concerns about cost and perceived fuel availability, but also against the lingering perception that diesel is ‘dirty.’”

### **Implications for Automakers**

Overall, the study reveals interest in alternative powertrain vehicles among a majority of consumers, with perceptions of green vehicles being largely positive. However, converting this interest into actual sales will require concerted efforts to improve the technology and infrastructure and reduce the cost to consumers.

By the end of 2016, J.D. Power and Associates expects there to be 159 hybrid and electric vehicle models available for purchase in the U.S. market. This is a significant increase from only 31 hybrid and electric models in 2009. Despite this, according to VanNieuwkuyk, automakers, along with government entities and others, have considerable work to do in educating consumers as to the true costs and benefits of these technologies. Only through promotion and education will significant numbers of U.S. consumers become sufficiently comfortable with both the financial investment and, in some cases, lifestyle changes required to make the leap from traditional vehicles to alternative powertrain vehicles.

The 2011 U.S. Green Automotive Study combines information and insight from J.D. Power’s primary consumer research, social media intelligence, forecasting and transactional sales data. The primary research includes a study of more than 4,000 consumers who indicate they will be in the market for a new vehicle within the next one to five years. The study was fielded in February 2011.

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