



## Episode 515: The VW Emissions Scandal, and More Car Issues for Libertarians

Guest: Eric Peters

**WOODS:** It really has been too long. I've been checking your site this morning — EPAutos.com is the easiest way to get there — just to see what you've been writing about lately, and I wanted to talk to you, even though it's a little bit late — better late than never — about the Volkswagen getting in trouble with the government over emissions and so on and on. I do want to talk about that in a minute, but before we do that, I couldn't help noticing because I used to drive a Hyundai Sonata that you have a piece up there about their 2016 Hybrid.

**PETERS:** Yeah.

**WOODS:** And I just looked at the teaser copy on the homepage where you say, look, I tried my best to get this thing to perform at under something like 34 ½ miles per gallon. I did this and that; I did everything I could to try to expend fuel, and I couldn't do it. Can you say something about that?

**PETERS:** Yeah, sure. I literally beat the snot out of the thing: full throttle acceleration runs, running it at 80+ miles an hour — I hope Hyundai's not listening — continuously for extended periods of time, and I never got it to go below 35.4 miles per gallon, which is astounding. On the other hand, the thing that I get into in the article is that the gas engine version of the car is pretty doggone close, efficiency wise. And that's problematic for hybrids generally. Gas engines have become so fuel efficient that it's harder to make an economic case for the hybrid power train, and particularly when you factor in that gas now is just about \$2 or a little more than \$2 a gallon rather than \$4 a gallon as it was a few years ago.

**WOODS:** The impression I've always gotten is that — at least that I've gotten from reading people like you or reading basically any free market analyst is that the hybrid car saves you money in some ways —

**PETERS:** Yes.

**WOODS:** — but the upfront cost that you wind up paying for it is so much more, that it would have to be a very unusual situation for you to actually come out ahead.

**PETERS:** Well, particularly now, because gas prices are down — what? About 40%, maybe even 50% from their peak.

**WOODS:** But that could be temporary, right?

**PETERS:** That could be temporary, but on the other hand, that might not be temporary, and you have to take that into account. And the other thing that needs to be taken into account if you're considering one of these vehicles is that while hybrid gas mileage has pretty much plateaued — they get around 40, on average 40-something miles per gallon. Some of the Prius will get into the 50s.

But at the same time, the economy of some of the gas engines that are available now is getting ever closer to what the hybrids can deliver, particularly in real world driving, and that's an important thing to take into account. Most hybrids are really good when you drive them in stop-and-go, city-type situations, where the vehicle sometimes will be sitting idle at a light for an extended period of time. Then you'll get the maximum mileage out of it. But the downside is that typically out on the highway, their mileage is pretty poor, because they have to work really hard to maintain the speed.

So when you factor those two things together, the city and the highway number, and then compare it to what some of the current gas engine cars are getting, the difference really isn't that great. For example, that Hyundai Sonata, the average miles per gallon figure difference is about nine miles per gallon, the hybrid versus the same car with the little 1.6 liter turbo eco engine that they have available.

**WOODS:** Now I want to get over to the VW fiasco, because I haven't decided for sure, but I think that's going to be in the title for this episode, so I know people are interested to hear about it.

**PETERS:** Yeah.

**WOODS:** I only saw the headline, so I don't know any of the details. So why don't you fill me in, and then we'll go from there?

**PETERS:** Well, this is kind of unique in the annals of vehicle recalls. This is probably the first time, at least the first time that I'm aware of, that a vehicle is being targeted for recall because it performs better than it otherwise would have. Volkswagen has been accused of and has admitted to configuring the software in the diesel-powered cars that it sells to comply with the federal government's increasingly unreasonable emissions ukase. When they take them in for testing and they plug them into a machine to test them, and then when they are out on the road and being driven normally to revert to programming that optimizes both performance and mileage for the sake of the buyer. That's what they're being crucified over right now.

**WOODS:** All right, now where do you come down on this? I mean, isn't there some dishonesty at the heart of this? You could say, but these people don't deserve the truth. There's a whole way of analyzing this, but how do you look at it?

**PETERS:** I think it's exasperating, because VW, like a lot of other manufacturers, was simply trying to bring to market economically viable diesels. The fundamental problem here is that the federal government's regulatory thought with regard to diesel emissions are absolutely lunatic. They're far beyond the point of diminishing returns, and this is not being particularly well explained in the media and otherwise. You've probably heard the coverage where VW is accused of allowing cars that spew 40 times the allowable maximum of oxides of nitrogen, and that's kind of sort of true, except for the fact that it's not of the total exhaust output. What you're talking about is a fraction of a percentage. The tailpipe emissions of the car are already about 95% clean, so we're talking about the remaining 3-5% that are uncontrolled, as they say in the Argo of the EPA.

And VW is accused of configuring its software to jiggle around such that there is a fractional increase in the over-the-road emissions. That's what we're talking about. Keep in mind that these vehicles were all compliant with European requirements, which are certainly not lax by any stretch of the imagination. The problem was getting them to comply with U.S. requirements, which prove to be unsuitable, at least economically. If they had done it economically, the cars would either have cost too much or their mileage or their performance would have been not good enough for most people to buy them, and that's the fundamental problem here.

**WOODS:** Now, the real question to me is what comes next. What is going to happen? What kind of penalties, but also, what kind of consequences long-term for the company?

**PETERS:** Well, the company could be killed as a result of this. My understanding is that minimally they're looking at about \$18 billion in fines from the government, and that does not include the potential litigation on the civil side from people who are now looking at vehicles that are probably going to depreciate more. And there's also the question of fraud. VW's guilty of having purveyed a car that was allegedly compliant with the standards and now proves that it's not.

But to me the broader consequence, the more alarming and sad consequence is that probably American buyers are going to have much less access to diesel-powered vehicles. I can share some inside baseball with your listeners; I have some contacts within Mazda. And for two years now, Mazda has been talking about bringing a diesel engine to the United States in at least two models, in the Mazda 3, which is a small sedan, and in the CX-5, which is a small crossover, but they have not been able to achieve compliance with U.S. emissions requirements and maintain the performance level that they feel they have to in order to make the car viable. So they have decided to pull the plug on it, not bring those diesels to the market. And now that VW is out of the market, it means that the only diesel-powered cars that you can buy in the United States are high-end cars from companies like Mercedes and BMW, and that's really sad.

**WOODS:** Can you explain for a dolt like me why somebody would want a diesel-powered car, in particular?

**PETERS:** Yeah, there are multiple reasons. The obvious one, of course, is the fuel efficiency, and not so much the miles per gallon, but the tremendous range that some of these cars have. On a fuel tank, you can drive some of these 6, 700 miles or more, which is convenient. It means that you don't have to stop as often for fuel. That's one thing. The other thing is that they have tremendous low-end torque, which means they accelerate very powerfully with minimal input from your throttle. You just have to gently push the gas, and then some of them will literally lunge forward. And that is just a very pleasant driving feel to have, especially in stop and go traffic. It's not necessary to really rev the engine to get tremendous performance out of it. And the final thing, and this is a traditional diesel attribute, is that they're very, very long lived. You can expect to get 300,000 miles out of these things, because they're built tougher by design. They have to be, because of the nature of diesel combustion. So they will last a really long time relative to a gas engine.

**WOODS:** I was reading on your site, and EPAutos.com is the site, and I was reading some of your analysis of the whole VW thing, and you were speculating that the government could say bring in your car and we will fix it so that it's in compliance with our demands – which means, bring in your car, and when you drive it out it'll run worse than when you brought it in.

**PETERS:** Exactly, and you'll be compelled to do that. Most states require that you pass an annual or semiannual emissions test in order to get or renew your vehicle registration, and if you have one of these vehicles, they'll send you out a notice demanding that you take it to a VW store to get it "fixed" – air quotes, "fixed." And if you don't and you don't provide proof of that, they could very easily just deny you registration renewal or issuance in the first place. And that will effectively make your vehicle useless. You won't be able to drive it if you haven't got a current registration.

**WOODS:** This just strikes me as such a – I can't quite think of the word right now – reckless move on VW's part, thinking that they could get away with something like this. Forget about the justice of the thing.

**PETERS:** Well, sure. I can't defend them per se for that. I think what they should have done rather than alter the software, they should have launched a PR juggernaut and pointed out to people, look, we can provide you with vehicles that get 60 miles per gallon, as they do in Europe – there are VW models that get 60 miles per gallon – if the EPA can be more reasonable about the requirements. For example, one very reasonable thing that they could do, and I see no reason why they couldn't do this, would be to adjust U.S. emissions requirements with regard to diesels to be essentially the same as the Euro standards, so that if a vehicle is compliant with the Euro standards, it can be imported to the United States and sold legally.

But instead, we have these two-tiered requirements. So the manufacturers in Europe have to achieve compliance with the European standards, and then they have to find a

way to comply with the American standards, which are different. And it entails expense and hassle for them to do that, and diesels in this country are relatively low volume versus what they are in Europe. And they run the numbers and do the math, and for the most part, it's simply not worth it for them to do it, and that's why there aren't that many diesel vehicles available for sale in this country.

**WOODS:** You have a piece here that has the kind of headline I would run if I were you. The headline is – this is from early October 2015 – "Another Car We're Not Allowed to Buy."

**PETERS:** Yes.

**WOODS:** That's just right out of my playbook. Let me read you sentence number one, and then you tell me something about this. You begin with, "Would you be interested in a brand-new, fully warranted, five-door crossover SUV built by a major, name-brand automaker that gave you 50-plus MPG with a gas (not diesel or hybrid) engine, that has a top speed around 125 mph, is capable of getting to 60 in 12 seconds (about the same as a Prius hybrid) that stickered for less than \$5,000?"

**PETERS:** Yeah.

**WOODS:** This of course is a rhetorical question. So what are the details? What's going on here?

**PETERS:** Well, it's called the Renault Kwid, and it's sold in export markets, but principally India and some other Asian markets. They just had a big release for the car. And that's the sort of vehicle that's available in markets outside of the United States and western Europe. And it's not like this is a primitive vehicle, per the description that you just read. This is a vehicle that if you saw it on the street, you'd think, well, that's just a new car.

**WOODS:** Yeah.

**PETERS:** It has a flatscreen LCD dashboard. It has air conditioning power with windows and locks. It even has an airbag. The problem is it doesn't have six airbags, as per U.S. safety requirements, and it doesn't meet current crash-worthiness standards, including things like the roof crush standard. And that is why it's not legal to bring that vehicle into the U.S. and sell it here. It's not that it's unsafe or that it pollutes; it's just that it doesn't meet the current requirements. It would probably pass or exceed the requirements that were in place in the '90s, but the standards have become so ultra-strict and so ultra-unreasonable that people in this country are denied access to reasonable, affordable cars like that.

**WOODS:** Okay, so in other words, somebody could buy a used car that doesn't meet the current standards for \$5,000, right?

**PETERS:** Well, it is illegal to sell originally. I don't know if you recall this; last year, actually SWAT raided some people's houses who had bought gray market, you know, not technically legal Land Rovers that they'd imported from Europe, and because those vehicles didn't comply with the emissions and safety requirements that were in effect at the time of their manufacture in the United States, they literally sent the balaclava, black-clad, M-16-toting SWAT guys to these people's houses to snatch their cars.

**WOODS:** That's, well — I guess that speaks for itself, really.

**PETERS:** Yeah.

**WOODS:** I'm just — I'm looking at this car right now, and it just — this is the typical case of how people themselves, I think, are probably the best judges of how to balance affordability and safety, especially when, it's not like we're talking about, the thing has an exploding engine or something. We're just talking about a car that probably meets the standards of about 20 years ago or something. And 20 years ago, nobody felt like we were living on the edge because of the cars we were driving.

**PETERS:** No. In economics you've heard the term "the low-hanging fruit," but all the low-hanging fruit has been plucked. Just the addition of catalytic converters in 1975 and then oxygen sensors and then fuel injection controlled upwards of 80 to 85% of all the harmful pollutants that were contributing to smog and so on. And then some incremental refinements of that port fuel injection, you know, electronic computer control and so on got us to well over for 90%. So again, to get back to what we were talking about at the beginning, we are talking about very small numbers now, and most people don't understand that. And the way it's typically presented when you hear a news story or a media account, they're talking about, well, this new law will result in cutting the emissions of this car by 50%. Yeah, 50% of 1% or 50% of .5%. That's really what we're talking about here, and it annoys me endlessly that that is not explained to a mass audience, and people don't seem to understand that.

**WOODS:** No, in fact, they think of safety almost as being all or nothing. Either you're driving something in compliance with 2015 regulations or you're in something that bursts into flames after you've driven it for five miles.

**PETERS:** Exactly. Safety's relative. Think about it this way: if I get into, say, a 1998 S-Class Mercedes, which is a big tank, a big, full-size tank, and hit you in your little 2016 Smart Car, which of those is going to be the least likely to be injured?

**WOODS:** (laughing) Yeah.

**PETERS:** And yet, the Smart Car is legal for sale, because it complies with all the safety — it's considered a safe car. But if you were to bring to market the 1998 S-Class as a new car today, it wouldn't pass. It wouldn't be considered safe.

**WOODS:** Eric, the other day you actually emailed me a story, and I immediately told my assistance we've got to book Eric; we've got to get Eric back on the show, and I did that without even reading the story. I thought to myself, oh, I haven't had Eric Peters on in so long; we've got to have him on. And then later I read the story and said, yeah, okay, we'll talk about that. But of course I want to talk about everything that's on your site. But you sent me this story about some decision that's been made in the New Jersey courts about the police and searches of your car, and I don't want to steal your thunder, so you tell people what they decided.

**PETERS:** Well, what they decided is that essentially any time that you are pulled over for any reason whatsoever, for the most minor and trivial traffic offense, they can legally search your person and search your car, which is a major diminution of our already heavily diminished 4th Amendment rights. Previously they had to have some tangible, probable cause for suspecting that an additional crime, that something else was being done illegally for them to proceed with a search of your vehicle. But according to the Supreme Court in New Jersey, that's no longer necessary. So at the discretion of a cop, what this amounts to, that cop can pull you over for anything if he wants to. He can claim that you wandered across a double yellow, that you failed to signal, and it's his word against yours, and we know how that usually turns out. So basically the court has given them license to fish. They pull you over for whatever reason, and they can then just paw through your things and paw through your car, and you're legally powerless to do anything about it.

**WOODS:** That's astonishing, and I say that as somebody who is not driving around with contraband or anything that I would particularly care if people happen to see, but get your mitts off my stuff is my principle.

**PETERS:** Well, get your mitts off the stuff, and the one thing that's very alarming as many of your readers are probably well are of, New Jersey has among the strictest gun control – "gun control," I hate that term – laws in the country, and if I, for example, as a Virginia resident with a concealed carry permit am legally driving through the state of New Jersey on my way to somewhere else, they can pull me over, find the weapon, and literally, they can throw me in the clink and cause me all sorts of problems notwithstanding that I have a legal concealed carry permit and in my home state it's legal for me to have a gun.

**WOODS:** Yeah, that's another major, major problem. Of course, it would be extremely frustrating to live in New Jersey for so many reasons already –

**PETERS:** Yeah.

**WOODS:** – but then this is really, really dispiriting and demoralizing. And it's all of New England, by the way.

**PETERS:** Yeah.

**WOODS:** And I come from — I mean, I know New Jersey's not part of New England, but I went to many a concert in New Jersey when I absolutely had to, and there's a part of me that really, really misses the northeast, because I grew up there; I have a lot of great, fond memories there, and there are a lot of beautiful places, and I used to go to the beaches in New Jersey quite a bit. But then I read stories like this, and I'm reminded, well, you know, there's a reason I got out of there in the first place.

**PETERS:** Yeah. Well, and to tie some other elements of this together, Maryland is involved in this sort of thing too, and they now have license plate scanners. I'm not sure if you're familiar with that, but they can fit a cop car with a scanner that can read license plates in huge volumes. And let's say that you're somebody like me from Virginia, and you're driving through one of these states, and you pass a cop car that has the license plate scanner, they can immediately run all of your records and flag you. Oh, there's somebody who might have a gun, because he's from a state where it's allowed, and he has a concealed weapons permit. And ba-da-bing, ba-da-boom, you find yourself pulled over by the side of the road and a couple of hours later find yourself in prison. This has happened. This kind of stuff is demoralizing. It's very depressing, and it's not confined to New England. I followed up that story with something you may have seen on the site about these blood draws that are going on in Texas and Oregon. Did you read about that?

**WOODS:** I did not.

**PETERS:** They are legitimizing these things where your refusal to cooperate in your own incrimination when you are pulled over in a so-called sobriety checkpoint — merely to refuse to cooperate to provide evidence that will be used against you is now sufficient legal warrant for them to forcibly extract your blood, to test you for illegal substances.

**WOODS:** I hardly know what to say.

**PETERS:** Neither do I. This isn't the country that I grew up in anymore.

**WOODS:** First of all, I'm shocked that I didn't know about that. I mean, maybe my listeners heard about it, and I'm just not as informed as I should be, but that is amazing to me.

**PETERS:** Yeah, I've got a big article on the site. It's entitled "Vampire Cops." It's right under the Politics section.

**WOODS:** Oh, that's a good title.

**PETERS:** Yeah, and you know, these guys of course again, we know about their tremendous proficiency with firearms, their trained personnel. Now we're going to entrust them with needles and extraction of our bodily fluids.



**WOODS:** I think now is as good a time as any to point out to listeners in case it's not obvious yet that there's more than one value to your site. Your site gives a lot of information about cars, a lot of information about new cars, a lot of great reviews of cars, and it gives us a lot of great information about what the government is up to with regard to cars from the point of view of somebody who knows the technology inside and out. But then also because you're a libertarian, you'll also give us the angle about these stories, for instance, that we've just been talking about, about your privacy in your car and what the government is trying to do to violate that. I don't know — I mean, I don't think there is any place that brings all these things together quite like EPAutos.com, so I really do hope people will visit you and see what you're doing and support you, because it's incredible what you are doing for free. You are giving all this material away for free, and every single day we know that when there's anything involving automobiles in the news that we can go to EPAutos.com and you're on top of it.

**PETERS:** Well, I can't help myself. It's what I do.

**WOODS:** Well, it's the same with me and the show. I could presumably take a week off here and there, and no one would care. I've produced over 500 episodes, and nobody's going to care, but the whole time I was away I'd be thinking, well, what about the show. Like, I'd have to do it.

**PETERS:** Well, I love cars. I love the whole freedom philosophy that really is embodied in cars. America was unique in this respect, unique in the fact that you turn 15 or 16 and you got a set of keys to your very first car, and you could actually just head out on the road wherever you wanted to go, at your speed, free. It was that real first sense of being a free, adult person, and I think that's part of the reason why Americans have had this great love affair with automobiles. And unfortunately, I think that all the things we've been talking about are the reasons why that love affair is dying. They are using cars and they are using driving as an excuse to take away our freedoms and just to make it a hassle and an expense, and I do think it's deliberate, frankly, that they're doing that on purpose.

**WOODS:** On a happier note — although I myself am not in the market for a new car right now, so I'm not really up on things — presumably, this being October 2015, we're into the 2016 model year. So have you had, other than that Sonata hybrid that we talked about earlier, have you had a chance to get a feel for what the really good value kind of cars or really neat cars or just unique or interesting innovations in cars — anything that is in store for us in 2016 that's interesting to you?

**PETERS:** Oh yeah, that's an easy one. About a week ago, I was fortunate enough to get a week in the new Mustang GT, and it's just an unbelievable car, and particularly when you put it in context. This is a car that has 435 horsepower that can do 0 to 60 in the high 4-second range, and 20 years or 10 years ago this would have been considered exotic supercar performance, and now this is performance that's readily accessible to almost anybody. It's a relatively affordable car; it's about \$32,000 versus what you would have had to pay for that, easily twice as much as recently as 10 years ago to get

that kind of performance. And it's practical, civilized performance that your Aunt Minnie could drive without any trouble whatsoever. So we're really in the middle of a renaissance of both performance and economy. The cars that are out there are just tremendous in terms of what they can do for us and what they're capable of at the same time.

**WOODS:** Well, can you bring us back down to Earth by telling us the rough sticker price of that car?

**PETERS:** I don't have it at my fingertips, but it's only about \$32,000.

**WOODS:** Okay.

**PETERS:** It's in the same ballpark as the Camaro SS and also the Dodge Challenger. Those three are the sort of latter day retro muscle cars. They're back and stronger than ever.

**WOODS:** Well, what else can we — I hate to let you go, because you know so much, and I want to learn, so tell me what is in the news right now that's interesting to you. I mean, nothing is going to match that VW scandal for a long time with regard to cars.

**PETERS:** Well, the news that I'm getting is that it's expanding. They are now looking at — we talked about Mazda, and they are looking at Mercedes and apparently some other manufacturers. I don't think it's going to go away. I think it's going to get bigger, and one of the things that I'm particularly troubled about or worried about is that they're going to take the position that, well, since people can cheat on these tests when they take the car in for the emissions tests, we need some way to monitor the output of vehicle emissions in real time as people drive. That's where I worry that this is headed.

**WOODS:** Well, if we want to monitor this of course there's no better place than EPAutos.com, that's Eric Peters Autos. Again, looking at it today just getting ready for our conversation, I'm thinking to myself, why am I not reading this thing regularly. I love reading stuff by people who know so much more than I do. I love feeling like I don't have to be the guy who has all the answers. A lot of times people say, Woods, look, I have this article you have to refute. And I don't know the answer to everything.

**PETERS:** Sure.

**WOODS:** I appreciate that people think that I do, but I don't. And so sometimes I like to be in a position where I so don't know everything. I am so in student mode, and that's definitely how I feel when I'm at EPAutos.com, but I'm also being taught by somebody who isn't speaking some language I could never possibly understand, so you've got a great balance. Car aficionados are very much satisfied, but also a novice like me can learn a lot over at EPAutos.com. Any final words before I let you go?

**PETERS:** Thank you for that extremely nice plug. I try to make it fun even when it's depressing and keep it conversational, and hopefully people will enjoy that. That's my mission statement.

**WOODS:** All right, we'll have to get you back on before too long. I'll keep an eye on your site, and when particularly outrageous things happen — or you know what? Particularly encouraging things.

**PETERS:** Sure.

**WOODS:** That can happen too. Because a lot of times what you're writing about on your site are tremendous innovations in the private sector, and those are wonderful things that we can all celebrate. So in your case, you don't have to spend all your time writing about, oh, the government passed this law and it's terrible, and it did this to healthcare and that to healthcare. If I were writing about healthcare I'd be really depressed, but if I were writing about cars, I still have the private sector producing great cars. That's something.

**PETERS:** That's right. A couple weeks from now, GM is supposed to send me the new CTS-V, and that will set a new high watermark. 750 horsepower in a streetcar, fully warranted streetcar, fully emissions legal streetcar.

**WOODS:** Wow, tremendous, tremendous. Well, I'll stay tuned. I'm going to bookmark it, and I'm going to be visiting more often EPAutos.com, and I hope my listeners will too. Thanks again, Eric.

**PETERS:** Thank you, Tom.