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RUNNING ON EMPTY: HOW THE OBAMA ADMINISTRATION'S GREEN ENERGY GAMBLE WILL IMPACT SMALL BUSINESS AND CONSUMERS

HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS OVERSIGHT AND GOVERNMENT SPENDING

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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RUNNING ON EMPTY: HOW THE OBAMA ADMINISTRATION'S GREEN ENERGY GAMBLE WILL IMPACT SMALL BUSINESS AND CONSUMERS

WEDNESDAY, OCTOBER 12, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS OVERSIGHT AND GOVERNMENT SPENDING,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2247, Rayburn House Office Building, Hon. Jim Jordan (chairman of the subcommittee) presiding.

Present: Representatives Jordan, Buerkle, Labrador, Guinta, Kelly, Issa (ex officio), Kucinich, Speier, and Cummings (ex officio).

Staff present: Michael R. Bebeau, assistant clerk; Molly Boyl, parliamentarian; David Brewer, counsel; Tyler Grimm, professional staff member; Christopher Hixon, deputy chief counsel; Kristina Moore, senior counsel; Sharon Meredith Utz, research analyst; Krista Boyd, Claire Coleman, minority counsels; Ashley Etienne, minority director of communications; Devon Hill, minority assistant; Jennifer Hoffman, minority press secretary; and Suzanne Sachsman Grooms, minority chief counsel.

Mr. JORDAN. All right, the subcommittee will come to order, do opening statements. I want to welcome our witnesses or panelists and guests.

The subcommittee convenes this morning to continue with the investigation into the process by which the Obama administration set fuel economy standards for cars and trucks, and the impact these standards will have on small businesses and consumers.

On July 29, 2011, President Obama announced his administration had come to an agreement with the State of California, labor unions, and several major auto manufacturers on increased corporate average fuel economy standards for 2017 through 2025. Previously, the administration enacted fuel economy standards for light-duty cars and trucks from the 2012 to 2016 time line and for heavy-duty trucks from 2014 to 2018.

In announcing the latest version of these standards, the President boasted that the agreement had been reached "without Congress." Based on this statement and other evidence, it appears that the President has forgotten that there are in fact three separate, but equal, branches of Government, and it is Congress that writes the law. In addition to forgetting about Congress, the President

also forgot about his pledge to be the most transparent president in history. It appears that each of these standards were set based on closed-door negotiations with select stakeholders who sometimes were awarded with billions in Federal grants or loans or, in the case of a few, a generous taxpayer bailout.

Despite the President's expressed desire to craft regulations in a way that is sensitive to their impact on job creation, the President's staff never bothered to consult with consumers or the small businesses that will be impacted by these very regulations. While the administration has argued that a future notice and comment rulemaking will cure this defect, there is reason to believe that such a process will be merely a pro forma exercise and that the voice of the consumers and small businesses will never be heard because the critical elements of the regulation are already set in stone.

What is more, these new regulations do not come cheap. The 2012 to 2016 standards are expected to cost manufacturers $50 billion in compliance costs. The 2017 to 2025 standards may well cost three times that amount, $150 billion. Truckers can also expect to pay a minimum of $6,000 more per truck starting in just 2 years, and many argue that the estimate is at the low end.

Because of these concerns, Chairman Issa has sent detailed letters to the White House and the agencies asking the administration to reveal the process used to determine the standards and to be transparent with the public on the impact these higher fuel economy standards will have on future cars and trucks. We look forward to reviewing the administration's response.

In addition to these procedural concerns, today's hearing will focus on the impact these fuel economy standards are expected to have on consumer choice and the safety of the vehicles. The committee wants to know how much these regulations will cost and how many consumers will be priced out of the new car market. If consumers can't afford to purchase new vehicles, what will be the impact on the many automobile dealerships that depend on new car sales for their very survival.

It appears that the administration is simply substituting its bureaucratic judgment for the independent judgment of the marketplace. When Government substitutes its judgment for the private market, the result is never good. Most likely, these standards will force the auto industry to limit consumer choice and manufacture products that Americans may not want or simply cannot afford.

In the case of the trucking industry, we want to know if the heavy-duty fuel economy standards are necessary and, if so, how they will impact the livelihood of independent truckers. It appears as though the administration's heavy-duty truck standards will have dire consequences for independent truckers, who are the backbone of American commerce. Independent truckers did not have a seat at the table during the administration's negotiations, but these negotiations now threaten to force them off the road.

We also want to know if NHTSA has a handle on how many people may lose their life or suffer severe injury as a result of these standards. In the case of light-duty vehicles, these standards will force Americans to drive lighter weight vehicles. This has significant implications for driver safety. Moreover, if the heavy-duty trucking regulation forces independent owner-operators to retire, it

is possible that less experienced drivers will take their place. This turnover could have severe implications for highway safety as well.

Regrettably, we may never know the full truth about how the 2009 standards were set, because they were the result of closed door negotiations where, according to the California Air Resources Board Chairman Mary Nichols, participants took a "vow of silence" and took great pains to "put nothing in writing ever."

The committee wanted to ask Ms. Nichols what exactly she meant by that statement but, regrettably, she has refused to appear before this panel. The committee also wanted to ask Ms. Nichols why her State is in the business of setting fuel economy standards at all, in light of the explicit congressional preemption of State action on matters relating to fuel economy standards. In my opinion, her absence today crystalizes why the State of California should not be part of this rulemaking process. Quite simply, CARB is unaccountable and unresponsive to the needs of the Nation and should not be in the business of establishing Federal law.

With these considerations in mind, we look forward to hearing from today's witnesses.

With that, I will yield to the ranking member of the full committee, the gentleman from Maryland, is now recognized for 5 minutes.

Mr. CUMMINGS. Thank you, Mr. Chairman.

I would like to welcome Administrator Strickland, Assistant Administrator McCarthy, and Director Oge for joining us today to discuss the recently announced corporate average fuel economy and greenhouse gas emission standards for automobiles for models year 2017 to 2025.

I am pleased that the Obama administration is moving forward on fuel economy standards that will decrease our dependence on foreign oil, improve vehicle value for consumers, our constituents, and improve air quality across our Nation.

Despite what some may claim, the standards proposed by the Obama administration are not grabs from thin air. In 2007, President Bush signed into law the Energy Independence and Security Act, which set a national standard of 35 miles per gallon by 2020. President Bush praised this legislation, calling it, "a major step toward reducing our dependence on oil; confronting global climate change, expanding the production of renewable fuels; and giving future generations of our country a Nation that is stronger, cleaner, and more secure."

Now, just 4 years later the majority has arrived at the puzzling conclusion that improving energy efficiency is not in our national interest. Today's hearing is entitled Running on Empty, which is a misguided criticism of fuel efficiency standards supported by the industry, consumers, and the administration. Frankly, I have a hard time understanding what the majority's problem is with the fuel efficiency standards, or whose interests they are representing in opposing them.

I also understand that the majority is concerned that the administration has been inappropriately colluding with stakeholders. This is also a strange claim considering the frequent complaints from the other side about the administration seeking too little input from industry when developing regulations.

While the administration has worked out a proposal that automakers support, as you will hear today, it fully intends to go through the formal rulemaking process and comply with the requirements of the Administrative Procedures Act.

The new standards are critical to ensuring that consumers are getting the most for their money. According to the Union of Concerned Scientists, the new standards are expected to save average drivers, our constituents, $3,500 over the lifetime of their vehicles, after factoring in the cost of new fuel technology. In recent months, several of the top automakers have reported that their customers are increasingly choosing fuel-efficient vehicles over the less efficient products. We can certainly understand that in these recessionary times.

The new standards also will help create new jobs. Serus estimates that the standards could create as many as 8,400 new jobs in Maryland, my State, and 500,000 jobs nationwide by 2030.

While there undoubtedly will be some challenges to meeting these standards, the substantial buy-in from industry indicates that they are achievable and ultimately will benefit consumers and the U.S. auto industry as a whole.

With that, Mr. Chairman, I yield back.

[The prepared statement of Hon. Elijah E. Cummings follows:]

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Opening Statement
Rep. Elijah E. Cummings, Ranking Member
Committee on Oversight and Government Reform

Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Hearing on "Running on Empty: How the Obama Administration's Green Energy Gamble Will Impact Small Businesses and Consumers."

October 12, 2011

Thank you Mr. Chairman.

I would like to welcome Administrator Strickland, Assistant Administrator McCarthy, and Director Oge for joining us today to discuss the recently announced Corporate Average Fuel Economy and greenhouse gas emissions standards for automobiles for model years 2017 to 2025. I am pleased that the Obama Administration is moving forward on fuel economy standards that will decrease our dependence on foreign oil, improve vehicle value for consumers, and improve air quality across our nation.

Despite what some may claim, the standards proposed by the Obama Administration are not grasped from thin air. In 2007 President Bush signed into law the Energy Independence and Security Act, which set a national standard of 35 miles per gallon by 2020. President Bush praised this legislation, calling it "a major step toward reducing our dependence on oil, confronting global climate change, expanding the production of renewable fuels, and giving future generations of our country a nation that is stronger, cleaner and more secure."

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when developing regulations. While the Administration has worked out a proposal that automakers support, as you will hear today, it fully intends to go through the formal rulemaking process and comply with the requirements of the Administrative Procedures Act.

The new standards are critical to ensuring that consumers are getting the most for their money. According to the Union of Concerned Scientists, the new standards are expected to save average drivers $3,500 over the lifetime of their vehicles, after factoring in the cost of the new fuel technology. In recent months, several of the top automakers have reported that their customers are increasingly choosing fuel-efficient vehicles over their less-efficient products.

The new standards also will help create new jobs. CERES estimates that the standards could create as many as 8,400 new jobs in Maryland and 500,000 jobs nationwide by 2030.

While there undoubtedly will be some challenges to meeting these standards, the substantial buy-in from industry indicates that they are achievable and ultimately will benefit consumers and the U.S. auto industry as a whole.

I thank our witnesses for their testimony.

Mr. JORDAN. I thank the gentleman for his statement.

We will now introduce our first panel. We first have Mr. Jeremy Anwyl, who is CEO of Edmunds.com. We also have Dr. Marlo Lewis, senior fellow at the Competitive Enterprise Institute; Mr. Roland Hwang is the transportation program director at the Natural Resources Defense Council; and finally, Mr. Scott Grenerth is an independent trucker from the Fourth District of Ohio. So we appreciate all of you being here today.

Pursuant to the rules, all witnesses are to be sworn in before they testify, so if you will please stand up and raise your right hands.

[Witnesses sworn.]

Mr. JORDAN. Let the record reflect that all witnesses answered in the affirmative. Thank you.

We will go now to our first witness, Mr. Anwyl.

STATEMENTS OF JEREMY ANWYL, CEO, EDMUNDS.COM; MARLO LEWIS, PH.D., SENIOR FELLOW, COMPETITIVE ENTERPRISE INSTITUTE; ROLAND HWANG, TRANSPORTATION PROGRAM DIRECTOR, NATURAL RESOURCES DEFENSE COUNCIL; AND SCOTT GRENERTH, INDEPENDENT TRUCKER, OWNER-OPERATOR INDEPENDENT DRIVER'S ASSOCIATION

STATEMENT OF JEREMY ANWYL

Mr. ANWYL. Thank you, Chairman Jordan and Ranking Member Cummings and members of the committee. Thank you for the opportunity to speak today on this most important issue.

I have been tracking the progress of the soon to be proposed CAFE standards with a growing level of concern. This concern relates to several areas, but my comments this morning will focus on one in particular. This is one we at Edmunds think about every day, and that is the automotive consumer.

I have three points to make this morning. The first is that up until now consumers have been either ignored or misrepresented; the second is that consumers matter; and the third is that consumers are most definitely not on board.

The evidence that consumers have been ignored is everywhere, but one of the clearest is this interim technical assessment prepared by EPA that listed the CAFE stakeholders. These included environmental groups, auto firms, labor unions, and others, even EV charging firms were seen as needing a seat at the table, but apparently not consumers.

Consumers matter because responding to their needs is what drives innovation, and innovation is what should drive our economy. They matter because, at the end of the day, they are the ones who will be asked to buy and to drive the vehicles our Government is potentially demanding car companies build.

Most importantly, let me emphasize the consumer is not on board with the proposed standards. Now, I know there has been a blizzard of polls showing consumers want higher mileage standards. My contention is these polls are worse than meaningless; they are in fact grossly misleading.

Instead of polls, we should, first and foremost, be guided by what consumers are actually doing, by actual purchases. In the U.S.

market, consumers have demonstrated the marked preference for larger vehicles, illustrated by sales as recently as just last month. And a particular caution exists around the new high-tech higher mileage vehicles that have been introduced. These are the very vehicles that the administration seems determined to mandate through the proposed CAFE standards. In these instances, it is not the car company that is not getting it; they are delivering the goods. It is the consumer that is not interested. And in several cases these cars are selling slowly, even after large tax credits have been offered.

Any study of actual sales makes clear that for the vast majority of consumers fuel economy is simply not their primary motivating factor when purchasing a vehicle. This doesn't mean they don't care about fuel economy, just that other things are more important.

Consumers decide which vehicle to buy based on a weighing of vehicle features and a judgment on which set of features best meet their needs. In other words, they make tradeoffs. Price and fuel economy for most consumers represent costs. Passenger capacity, cargo space, towing ability, and other things represent features. Consumers are always happy to pay less or save fuel, but not if it means giving up features they deem important. This is key.

Edmunds can actually add a special clarity around this issue of consumer preferences and demand because among our many datasets we have a market simulation model that was developed working with leading academics. This simulator can be used to show how consumers weight various vehicle attributes in terms of importance. And I have actually run an analysis for this committee and the following are the results.

Note that vehicle mileage accounts for only about 6 percent of why consumers purchased a particular vehicle. As you would expect, the weighting does vary amongst vehicle categories, but it is important to note that even in the heavily cost-sensitive segment of subcompacts, mileage only accounts for about 15 percent of the purchase decision.

There is an obvious factor that can influence these weightings, and that is the price of fuel. We have seen that when fuel prices jump there is an increase in the number of consumers who consider smaller vehicles and, in some cases, buy them. But these effects are not as dramatic as I have seen claimed. Further, they have been short-lived as consumers have shifted back to larger vehicles quickly, either because they grew accustomed to the higher price, fuel prices dropped, or maybe a little bit of both.

Looking at the data, there is an argument that could be made that if fuel prices increase sufficiently, market demand could align with future CAFE standards, and this is an interesting point. But the increase, about a doubling of today's price, would need to be far higher than even the most extreme forecast deemed likely. And we should also consider the chance that fuel prices in the mid-term could actually be lower than prices seen today.

I do have some good news. If we look back, the auto industry seems to have delivered the impossible: they have added features, increased safety, elevated performance, and delivered increased fuel economy, much of this even during a period when CAFE standards were stable. I credit mostly the advance of technology and ex-

pect this progress to continue. But if mandates trigger an escalation of prices, a reduction in consumer utility, or the adoption of technologies before they have been proven, consumers will react. This reaction could destabilize an industry that is a vital engine of our collective prosperity.

Thank you again for the opportunity to speak and I look forward to your questions.

[The prepared statement of Mr. Anwyl follows:]

Written Testimony of Jeremy Anwyl, CEO of Edmunds.com Before the House Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
"Running on Empty: How the Obama Administration's Green Energy Gamble will Impact Small Business and Consumers"
October 12, 2011

Chairman Jordan, Ranking Member Kucinich and members of the committee, thank you for the opportunity to speak today on this most important issue.

I have been tracking the progress of these soon-to-be proposed CAFE standards with a growing level of concern. Some of this concern comes from a conviction that setting standards—which are essentially a set of manufacturing quotas—is a poor way to achieve the worthwhile goal of reducing emissions. CAFE also seems to be growing ever more complex, a recipe sure to yield inefficiency and unintended outcomes.

My comments this morning will focus on one particular concern. One we at Edmunds think about everyday and that is the automotive consumer.

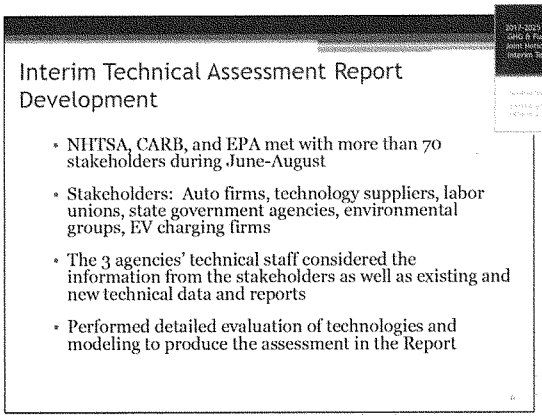
I have three points to make this morning.

The first is that--up until now--consumers have been either ignored or misrepresented.

The second is that consumers matter.

The third is that consumers are definitely not on board.

The **evidence that consumers have been ignored** is everywhere. One of the clearest is this interim technical assessment prepared by EPA that listed the CAFE stakeholders. These included environmental groups, auto firms, labor unions, etc. Even EV charging firms were seen as needing a seat at the table. But not the consumer.

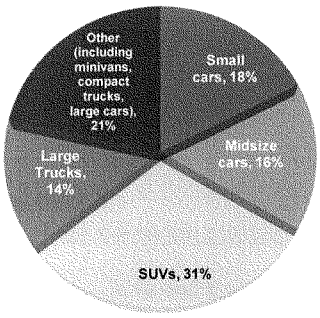


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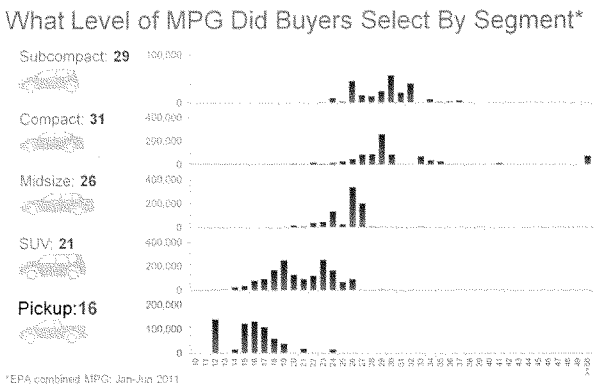
Most importantly, let me emphasize the **consumer is not on board** with the proposed standards. Now, I know there have been polls showing consumers "want" higher mileage standards. These polls are worse than meaningless; they are grossly misleading.

Instead of polls, we should first and foremost be guided by what consumers are actually doing; by actual purchases. In the US market, consumers have demonstrated a marked preference for larger vehicles, illustrated by sales as recently as last month.

Category Market Share - September 2011

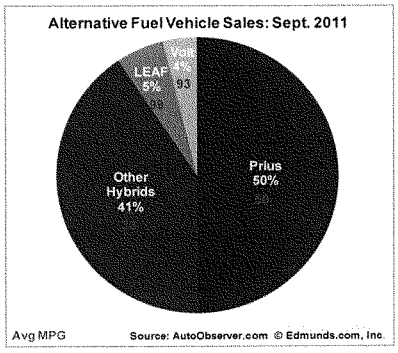


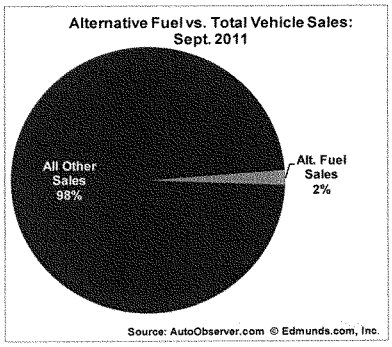
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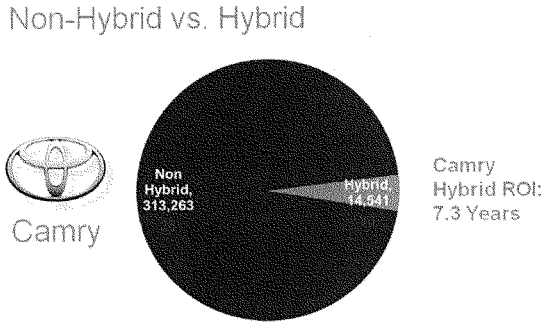
Even when we look at sales within each segment, we see that sales are skewed towards vehicles with lower MPG.

A particular caution exists around the new, higher tech/higher mileage vehicles that have been introduced—the very vehicles that the administration seems determined to mandate through the proposed CAFE standards. In these instances, it is not the car company that has not been "getting it." They are delivering the goods. It is the consumer that is not interested. In several cases cars are selling slowly even after large tax credits have been offered.





Further evidence of the consumer's lack of sensitivity to fuel economy can be seen from the low take rates of hybrids for models with both standard and hybrid power trains available. Typical is the sales spilt for the Toyota Camry. The standard Camry, with 26 combined mpg, sold over 313,000 vehicles last year, the hybrid version, with a combined mpg of 33, only added less than 15,000. (For a share of sales of less than 5%.)

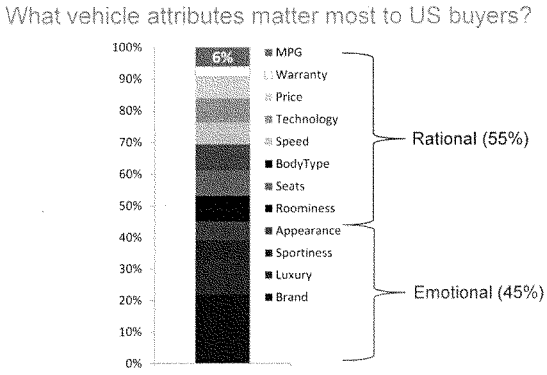


We also have to consider the possibility that the market demand for EVs and hybrids is already being met. This would suggest that future offerings would not grow overall sales; they will just be shared among a greater number of models.

Any study of actual sales makes clear that—for the vast majority of consumers—fuel economy is simply not their primary motivating factor when purchasing a vehicle. It doesn't mean they don't care about fuel economy—just that other things are far more important.

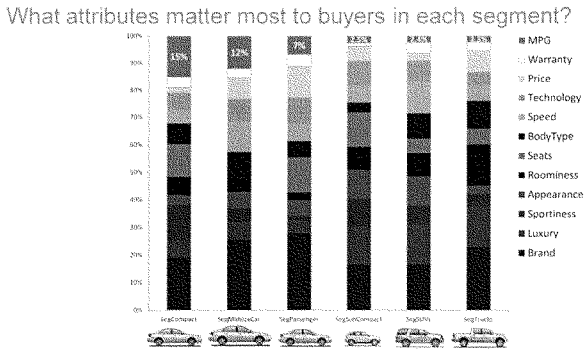
Consumers decide which vehicle to buy based on a weighing of vehicle features and a judgment on which set of features best meets their needs. In other words, they make trade offs. Price and fuel economy, for most consumers, represent costs. Passenger capacity, cargo space, towing ability, etc. represent features. Consumers are happy to pay less, or save fuel, but *not* if it means giving up features they deem important. This is key.

Edmunds can add a special clarity around this issue of consumer preferences and demand. Among our many data sets, we have a market simulation model that was developed working with leading academics. This simulator can also be used to show how consumers weight various vehicle attributes in terms of importance. Following are the results of an analysis we ran for this committee:



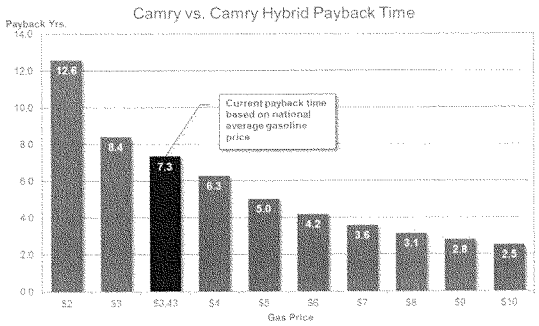
Note that vehicle mileage accounts for only about 6% of why consumers purchased a particular vehicle.

As you would expect, the weighting does vary among vehicle categories.



It is important to note that even in the heavily cost-sensitive segment of subcompacts, mileage only accounts for 15% of the purchase decision.

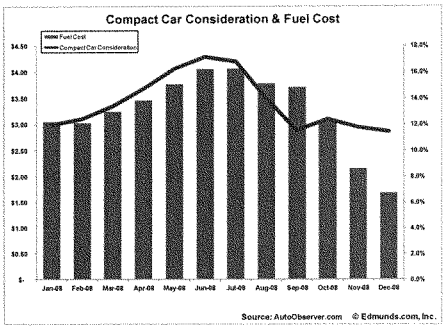
An argument has been made that consumers are better off with higher standards because any higher prices paid for vehicles will be made up for through savings at the pump. Any such conclusion depends heavily on the premium paid, the price of fuel and even if the consumer will own the vehicle long enough to enjoy any notional net savings.



Looking at the models where there is a hybrid and standard powertrain option, the current payback period runs between 6-9 years.

Math aside, consumers demand payback periods far shorter than any models suggest will be forthcoming. Our market model shows that **over half of consumers demand a payback period of 12 months, or less.** Some might find this frustratingly irrational. My view is that it just shows that most consumers are not making purchase decisions based on fuel economy.

An obvious factor that can influence these consumer weightings of mileage importance is the price of fuel. I have seen that when fuel prices jump there is an increase in the number of consumers who *consider* smaller vehicles and in some cases buy them. But these effects are not as dramatic as I have seen claimed. Further, they have been short-lived as consumers have quickly shifted back to larger vehicles, either because they grew accustomed to the higher price, fuel prices dropped, or a bit of both.



Looking at this data, an argument can be made that if fuel prices increased sufficiently, market demand could align with future CAFE standards. This is an interesting point but the increase—around a doubling of today's price—would need to be far higher than even the most extreme forecasts deem likely. And we should also consider the chance that fuel prices in the mid-term could actually be lower than prices seen today.

I do have some good news: looking back, the auto industry seems to have delivered the impossible. They have added features, increased safety, elevated performance—and delivered increased fuel economy. Much of this during a period when CAFE standards were stable. I credit mostly the advance of technology and expect this progress to continue. But if mandates trigger an escalation of prices, a reduction in consumer utility or the adoption of technologies before they have been proven, consumers will react. We

saw this play out before in the late Seventies and early Eighties when the domestic auto industry, torn between mandates for greater fuel efficiency and consumer demand for larger vehicles, introduced a generation of truly awful vehicles. The reputational damage from this era lingers today.

Push too far, too fast and we could easily destabilize an industry that is a vital engine of our collective prosperity.

Other related analysis and commentary from Jeremy Anwyl

http://www.autoobserver.com/2011/07/a-letter-to-the-epa.html

http://www.autoobserver.com/2011/07/raising-cafe-reasonably.html

http://www.autoobserver.com/2011/06/akerson-is-right-on-gas-tax-hike.html

http://www.autoobserver.com/2011/01/learning-from-lessons-of-the-past.html

http://www.autoobserver.com/2011/10/refuting-common-arguments-of-higher-cafe-advocates.html

http://www.autoobserver.com/2011/09/safety-over-fuel-economy.html

http://www.autoobserver.com/2011/09/ceres-cer-iously.html

http://www.autoobserver.com/2010/12/why-i-support-an-increase-in-the-federal-gas-tax.html

Mr. JORDAN. Thank you, Mr. Anwyl.
Dr. Lewis.

STATEMENT OF MARLO LEWIS, PH.D.

Mr. LEWIS. Mr. Chairman and Ranking Member Cummings, thank you for inviting me to testify today.

I know of no oversight proceeding more important than committee Chairman Issa's investigation of the administration's actions to regulate greenhouse gases and fuel economy. Only last year Congress declined to give EPA explicit authority to regulate greenhouse gases when Senate leaders abandoned cap-and-trade legislation. Recall that a key selling point for the Waxman-Markey cap-and-trade bill was its broad preemption of EPA regulation of greenhouse gases through the Clean Air Act.

A bill introduced in 2009 authorizing EPA to do exactly what it is doing now, regulate greenhouse gases through the Clean Air Act, as it sees fit, would have been dead on arrival. Therefore, the notion that Congress gave EPA such expansive authority in 1970, almost two decades before global warming became a public concern and 5 years before Congress enacted its first fuel economy statute, defies common sense.

In his September 30th letter to Administrator Jackson, Chairman Issa says that he finds EPA's actions troubling and inconsistent with the system of government articulated in the U.S. Constitution. I think he means the following. The Constitution seeks to ensure a system of democratic accountability through the separation of powers. The Constitution is vitiated when agencies legislate, when they exercise powers not delegated by Congress, when they flout procedural safeguards Congress has put in place.

To obtain industry buy-in for its new career as fuel economy regulator, EPA pursued what might be called a regulatory extortion strategy. By reconsidering California's request for a waiver to establish its own greenhouse gas, motor vehicle emissions program, EPA threatened to allow State governments to balkanize the U.S. auto market. This flouted the Energy Policy Conservation Act's express prohibition against State laws or regulations related to fuel economy.

Then, in negotiations culminating in the May 2009 historic agreement, EPA offered to remove the threat of a regulatory patchwork if automakers promised not to oppose EPA and California's new non-congressionally authorized roles as national fuel economy regulators.

The negotiations, as you mentioned, Mr. Chairman, were conducted under a vow of silence and no notes were taken, an apparent violation of the Presidential Records Act. Similarly, the negotiations culminating in this year's historic agreement to raise fuel economy standards appear to violate Federal Advisory Committee Act standards of transparency and accountability.

As Chairman Issa also notes, the fuel economy targets in this year's historic agreement are "outside the scope of law." NHTSA and California plan to set fuel economy standards for model years 2017 to 2025, a 9-year period, but EPCA limits setting fuel economy standards to "not more than five model years." The 9-year plan also conflicts with the EPCA requirement that NHTSA con-

sider economic practicability when setting fuel economy standards. As Chairman Issa has explained, at the present time it is impossible for NHTSA to adequately consider economic practicability for fuel economy standards in model years 2022 to 2025 because car manufacturers themselves do not have product plans for those years.

The agencies claim that EPA and California's greenhouse gas emission standards are harmonized and consistent with NHTSA's fuel economy standards, but EPA's standards do not allow automakers to pay fines in lieu of compliance or earn credits for producing flexible fuel vehicles during model years 2016 to 2019. This means automakers face more stringent requirements than they would if fuel economy were administered under the statutory scheme Congress created.

Fuel economy advocates may see no problem in the transfer of power from NHTSA to EPA and California because it produces policy outcomes they want. They forget an elementary civics lessons: the legislative process is more valuable than any result an administrative agency can obtain by doing an end-run around it. And I think Members of Congress should understand this better than anyone else.

Thank you very much. I will be happy to take questions.

[The prepared statement of Mr. Lewis follows:]



TESTIMONY OF MARLO LEWIS
SENIOR FELLOW
CENTER FOR ENERGY AND ENVIRONMENT
COMPETITIVE ENTERPRISE INSTITUTE

THE OBAMA ADMINISTRATION'S EFFORTS
TO RAISE FUEL ECONOMY STANDARDS

SUCOMMITTEE ON REGULATORY AFFAIRS,
STIMULUS OVERSIGHT
AND GOVERNMENT SPENDING
U.S. HOUSE OF REPRESENTATIVES
OCTOBER 12, 2011

Chairman Jordan, Ranking Member Kucinich, Members of the Subcommittee, thank you for inviting me to testify on the Obama administration's efforts to raise fuel economy standards. I am Marlo Lewis, a senior fellow in energy and environmental policy at the Competitive Enterprise Institute (CEI). We are a non-profit public policy organization dedicated to advancing the principles of limited government, free enterprise, and individual liberty. CEI specializes in regulatory policy. We accept no government funding and rely entirely on individuals, corporations and charitable foundations for our financial support.

Mr. Chairman, Committee Members, the Environmental Protection Agency (EPA) is carrying out a power grab of breathtaking proportions. EPA is regulating fuel economy and determining national policy on climate change. EPA claims simply to be implementing the Clean Air Act. But the Act was enacted in 1970, almost two decades before global warming emerged as a public concern and five years before Congress enacted the nation's first fuel economy statute. The Clean Air Act was neither designed nor intended to regulate greenhouse gases, and it provides no authority to regulate fuel economy.

This is not the occasion to review the Supreme Court's reasoning in *Massachusetts v. EPA*, the case which set the stage for EPA's regulation of fuel economy and greenhouse gases. I would simply say here that Congress has an independent responsibility to judge whether EPA's actions

do or do not comport with the statutory schemes Congress has created. A simple thought experiment suggests that EPA's overreach is profound.

Imagine that Congressmen Waxman and Markey, instead of introducing a cap-and-trade bill,[1] had introduced legislation authorizing EPA to do exactly what it is doing now – that is, regulate greenhouse gases through the Clean Air Act as the agency sees fit. How many of you would have voted for such a bill? What would have been its chances of enactment?

Since one of the selling points for H.R. 2454, the American Clean Energy and Security Act, was precisely that it would preclude EPA from regulating greenhouse gases under various Clean Air Act authorities, an "EPA, Go Forth and Regulate" bill would likely have been dead on arrival. And that's after an almost 20 year campaign of global warming advocacy by the U.N., the environmental movement, corporate and political leaders, pundits, activist scientists, and Hollywood celebrities. The notion that Congress authorized EPA's greenhouse gas regulatory agenda in 1970 defies common sense.

I. EPA Is Regulating Fuel Economy; the Clean Air Act Provides No Authority

Greenhouse gas emission standards for motor vehicles implicitly – and obviously – regulate fuel economy. EPA and the National Highway Traffic Safety Administration (NHTSA) make this clear, even if they do not say it in so many words, in their joint May 2010 greenhouse gas/fuel economy Tailpipe Rule.

As the agencies acknowledge, no commercially proven technologies exist to filter out or capture carbon dioxide (CO_2) emissions from fossil fuel-powered vehicles. Consequently, the only way to decrease grams of CO_2 per mile is to decrease fuel consumption per mile, i.e., increase fuel economy.

The Tailpipe Rule also targets other greenhouse gas emissions from new motor vehicles, such as hydrofluorocarbons (HFCs) from vehicle air conditioning systems. However, according to EPA and NHTSA, CO_2 constitutes 94.9% of vehicular greenhouse gas emissions, and "there is a single pool of technologies for addressing these twin problems [climate change and oil dependence], i.e., those that reduce fuel consumption **and thereby** reduce CO_2 emissions as well."[2]

That EPA is regulating fuel economy is also evident from the administration's current plan to increase average fuel economy to 54.5 miles per gallon by 2025. The plan derives from EPA, NHTSA, and the California Air Resources Board's (CARB's) *Joint Interim Technical Assessment*, which proposed a range of fuel economy targets from 47 mpg to 62 mpg. As the document explicitly states, the mpg targets are determined by CO_2 reduction scenarios:

> Four scenarios of future stringency are analyzed for model years 2020 and 2025, starting with a 250 grams/mile estimated fleet-wide level in MY 2016 and lowering CO_2 scenario targets at the rate of 3% per year, 4% per year, 5% per year, and 6% per year.[3]

The 54.5 mpg target represents a negotiated compromise between the 4% per year (51 mpg) and 5% per year (56 mpg) CO_2 reduction scenarios.[4]

Does section 202 of the Clean Air Act, the provision through which EPA is promulgating motor vehicle greenhouse gas emission standards, say anything about fuel economy? It did not in 1970, but as amended in 1977, it does.

Section 202(b)(4)(C) authorizes EPA to grant an automaker a temporary waiver from oxides of nitrogen (NO_X) emission control standards if the waiver is necessary to develop innovative power train or emission control systems that have "a potential for long-term air quality benefit or the potential to meet or exceed the average fuel economy standard applicable under the Energy Policy Conservation Act after the waiver expires." No waiver may apply to more than 5% of a manufacturer's production or more than 50,000 vehicles, or engines, whichever is greater.

So when Congress amended the Clean Air Act in 1977, it spoke directly to the issue of fuel economy in section 202, and what it granted EPA was a limited authority to waive NO_X emission standards. Had Congress wanted, in addition, to grant EPA authority to develop or adopt fuel economy standards, it could easily have said so. It did not.

Congress, through separate statutes – the 1975 Energy Policy Conservation Act (EPCA) and 2007 Energy Independence and Security Act (EISA) – gave NHTSA sole responsibility to prescribe fuel economy standards.[5] The Secretary of Transportation is to consult with the EPA Administrator before prescribing fuel economy standards,[6] and EPA is to calculate the fuel economy of vehicles and monitor automakers' compliance with fuel economy standards.[7] But prescribing fuel economy standards is NHTSA's responsibility, not EPA's.

II. The Greenhouse Protection Racket

Because EPA regulation of fuel economy is contrary to the statutory scheme Congress created, EPA's actions are vulnerable to both legal challenge and legislative repeal. But that is the case only if the auto industry, which would have standing to sue, and which has many friends in Congress, has the will to fight.

Obtaining industry buy-in thus became a key political objective of the Obama administration. To achieve it, the administration pursued what might be called a strategy of regulatory extortion. Using CARB as the heavy, EPA endangered the auto industry's economic viability. Then EPA offered to remove the threat it had created in return for a protection fee: the industry's conditional support for EPA's new career as fuel economy regulator.

In February 2009, EPA Administrator Lisa Jackson commenced a rulemaking[8] to reconsider Bush EPA Administrator Stephen Johnson's denial[9] of California's request for a waiver to establish its own greenhouse gas motor vehicle emission standards. Because the waiver would also allow other states to adopt the California program, because states would be implicitly regulating fuel economy, and because automakers would have to reshuffle the mix of vehicles delivered for sale in each "California" state to achieve the same average fuel economy, Jackson's proceeding threatened to balkanize the U.S. auto market.

The National Automobile Dealers Association clearly explained the threat in a January 2009 report titled *Patchwork Proven*.[10] Consumer preferences differ from state to state, so the same automaker typically sells a different mix of vehicles in each state. Only by sheer improbable accident would the average fuel economy (or grams CO_2-equivalent/mile) of an automaker's vehicles delivered for sale in one state be the same as that in another state. But if EPA granted the California waiver, each automaker would have to achieve the same average fuel economy (grams CO_2-equivalent/mile) in every state opting into the California program. If all 50 states adopted the program, then each automaker would have to manage 50 separate fleets, reshuffling the mix in each state regardless of consumer preference. A more chaotic scheme would be difficult to imagine.

The patchwork threat gave EPA and CARB the whip hand in closed-door negotiations with the auto industry over EPA's greenhouse gas/fuel economy regulations. As part of the "Historic Agreement"[11] brokered by Obama Environment Czar Carol Browner, California and other states agreed to consider compliance with EPA's greenhouse gas emission standards as compliance with their own.[12] But in return, notes Chairman Issa,

> participating automobile manufacturers, as well as their representative trade associations, waived their legal rights to:
>
> 1. Pursue litigation challenging California's regulation of GHG emissions, including litigation concerning preemption under the Energy Policy and Conservation Act (EPCA);
> 2. Contest any final decision by EPA granting California's waiver request; and
> 3. Contest any final fuel economy regulations issued by either EPA or NHTSA.[13]

III. The Mysterious Disappearing, Reappearing Patchwork

In January 2010, Alaska Senator Lisa Murkowski sponsored a Congressional Review Act resolution of disapproval (S. J. Res. 26)[14] to nullify the legal force and effect of EPA's Endangerment Rule.[15] The Endangerment Rule is the trigger for the Tailpipe Rule and the prerequisite for all other EPA greenhouse gas regulations. Sen. Murkowski is neither a climate skeptic nor an opponent of greenhouse gas regulation per se. But in her view, "politically accountable members of the House and Senate, not unelected bureaucrats, must develop our nation's energy and climate policies."[16]

In a letter to Sen. Jay Rockefeller (D-W.Va.), EPA Administrator Jackson warned that enactment of S. J. Res. 26, by overturning the Endangerment Rule on which the Tailpipe Rule depends, would "undo" the "historic agreement," leaving California and other states free to create a regulatory patchwork inimical to the health of the U.S. auto industry.[17]

Jackson neglected to mention that the patchwork threat exists only because she, reversing her predecessor's decision, granted the waiver in the first place.[18] Had Jackson reaffirmed Johnson's denial, there would have been no patchwork threat, hence, no need for an "historic agreement" to protect the auto industry from regulatory excess.

The peril of a "regulatory patchwork" was one of EPA Administrator Johnson's reasons, in December 2007, for denying California's request for a waiver.[19] Waiver proponents roundly rejected Johnson's reasoning at the time. In a joint letter to Johnson dated January 23, 2008, California Gov. Arnold Schwarzenegger and 13 other governors asserted that the patchwork was a figment, arguing that the waiver would create two easily managed standards, a federal standard and a California standard.[20] One day later, at a hearing of the Senate Environment and Public Works Committee, five witnesses – David Doniger of Natural Resources Defense Council, Connecticut Gov. M. Jodi Rell (R), Maryland Gov. Martin O'Malley (D), and Pennsylvania Gov. Edward G. Rendell (D) – included the same talking point in their testimonies.[21]

Yet the patchwork threat was real, and it provided the leverage EPA and CARB needed to cow the auto industry into submission. Then, after EPA finalized the Endangerment Rule, the agency and its allies warned that Congress would unleash a patchwork if the rule were overturned. None mentioned that they had changed their tune; none acknowledged that Administrator Johnson had been correct.

IV. EPA Should Not Have Granted the Waiver

Administrator Jackson approved the California waiver in late June 2009.[22] There are several reasons she should not have done so. As Johnson explained in his waiver denial decision, EPA had traditionally granted California waivers to adopt its own vehicle emission standards because of "compelling and extraordinary [air quality] conditions" created by the state's geography, meteorology, and number of vehicles. He presented three reasons why California does not face such conditions with respect to greenhouse gases:

1. There is nothing extraordinary about greenhouse "pollution" in California, because greenhouse gas concentrations are essentially uniform throughout the globe, and are not affected by California's geography and meteorology.

2. California's vehicles emit greenhouse gases, but so do mobile and stationary sources throughout the world. Again, the state is not "extraordinary" with respect to the "global air pollution" linked to climate change.

3. Even if one assumes that "extraordinary and compelling" refers not to the "global air pollution" itself but its potential impacts, such as heat waves, drought, and sea-level rise, California's vulnerability is not "sufficiently different" from the rest of the nation to justify waiving federal preemption of state motor vehicle emission standards.

As my colleague Sam Kazman quipped approvingly, "They call it global warming, not California warming."

I would restate Johnson's argument as follows. California needs to adopt tougher-than-federal motor vehicle *emission standards* because, given the state's unusual geography, meteorology, and number of vehicles, California cannot otherwise attain, or even come close to attaining, federal *air quality standards*. This statutory rationale for granting waivers has no application to greenhouse gas emissions, because *there are no federal air quality standards (NAAQS) for greenhouse gases*.

Another reason Jackson should have upheld Johnson's decision is that granting the waiver would authorize California to do that which Congress has prohibited – regulate fuel economy. EPCA clearly states:

> When an average fuel economy standard prescribed under this chapter is in effect, a State or a political subdivision of a State may not adopt or enforce a law or regulation related to fuel economy standards or average fuel economy standards for automobiles covered by an average fuel economy standard under this chapter.[23]

This is a very strong statement of preemption. States are prohibited from adopting laws or regulations "related to" fuel economy standards. This broad language bars the adoption of fuel economy standards packaged as something else or commingled with other measures. The threat of auto market balkanization – the necessary effect of Jackson's reconsideration of California's request for a waiver – is exactly what the EPCA preemption was designed to prevent.

V. The Waiver Conflicts with EPCA's Prohibition of State Laws or Regulations "Related to" Fuel Economy

That the California greenhouse gas motor vehicle emissions law, AB 1493, is highly "related to" fuel economy is evident from CARB's 2004 Staff Report presenting the agency's "initial statement of reasons" for its regulatory proposal.[24] The Staff Report's recommended options for reducing greenhouse gas emissions are identical in substance, and often in detail, to fuel saving options presented in the National Research Council (NRC)'s 2002 fuel economy report.[25] See the table below.

CARB GHG Reduction Technologies	NRC Fuel Economy Technologies
Near Term 2009-2012	
Intake Cam Phasing	Intake Valve Throttling
Exhaust Cam Phasing	Variable Valve Timing
Dual Cam Phasing	Multi-Valve, Overhead Camshaft
Coupled Cam Phasing	
Discreet Variable Valve Lift	Variable Valve Lift
Turbocharging	Turbocharger or Mechanical Supercharger
Electrically Assisted Turbocharging	
Cylinder Deactivation	Cylinder Deactivation
Variable Charge Motion	
Variable Compression Ratio	Variable Compression Ratio
Gasoline Direct Injection	Direct Injection Gasoline Engine
5-Speed Automatic Transmission	5-Speed Automatic Transmission
6-Speed Automatic Transmission	6-Speed Automatic Transmission
6-Speed Automated Manual	Automated Shift Manual Transmission
Continuously Variable Transmission	Continuously Variable Transmission
Engine Friction Reduction	Engine Friction Reduction
Advanced Multi-Viscosity Lubricants	Low Friction Lubricants
Electric Power Steering	Electric Power Steering
Electric Hydraulic Power Steering	
Improved Alternator	
Electrification of Engine Accessory subsystems	Engine Accessory Improvement
Aggressive Transmission Shift Logic	Automatic Transmission Aggressive Shift Logic
Early Torque Converter Lockup	
Variable Displacement AC Compressor	
Aerodynamic Drag Coefficient	Aero Drag Reduction
Improved Rolling Tire Resistance	Improved Rolling Resistance
Mid-Term 2013-2015	
Electromagnetic Camless Valve Actuation	Electromagnetic Camless Valve Actuation
Electrohydraulic Camless Valve Actuation	Electrohydraulic Camless Valve Actuation
Gasoline Direct Injection Lean Burn	Gasoline Direct Injection Lean Burn
Gasoline Homogenous Compression Ignition	
Electric Water Pump	
42-Volt 10kW Integrated Starter-Generator ISG (Start Stop)	42-Volt Electric Systems ISG

Diesel – HDSI	Direct Injection Diesel Engines
Weight Reduction	Weight Reduction
Long-Term 2015 & Beyond	
Mild Hybrid Vehicle	Mild Hybrid Vehicle
Moderate Hybrid Vehicle	Moderate Hybrid Vehicle
Advanced Hybrid Vehicle	Parallel Hybrid Vehicle
Diesel, Advanced Multi-Mode	

A few options in the CARB list are not included in the NRC list. In each case, however, the CARB option is a fuel-saving technology, not an emission-control technology.

The text of AB 1493 clearly implies that CARB is to regulate fuel economy. AB 1493 requires CARB to achieve "maximum feasible" greenhouse gas reductions that are also "cost-effective," defined as "Economical to an owner or operator of a vehicle, taking into account the full life-cycle costs of the vehicle."[26] CARB rightly interprets this to mean that the reduction in "operating expenses" over the average life of the vehicle (assumed to be 16 years) must exceed the "expected increases in vehicle cost [purchase price] resulting from the technology improvements needed to meet the standards in the proposed regulation."[27] Virtually all of the "operating expenses" to be reduced are expenditures for fuel. The CARB program cannot be "cost-effective" unless CARB regulates fuel economy.

In a letter earlier this year to House Energy and Power Subcommittee Chairman Ed Whitfield (R-Ky.), CARB Executive Officer James Goldstene attempts to explain why EPCA does not preempt California's greenhouse gas motor vehicle emission standards:

> CARB has never claimed that there is no relation between the pollution [CO_2] emitted by burning fossil fuels and the rate at which they are burned [gallons of fuel consumed per distance traveled, i.e. fuel economy]. CARB merely maintains the fact that pollution control and fuel economy are not identical — fuel economy and pollution control regulations have different policy objectives, utilize different incentive and flexibility features, and there are technologies that reduce pollution that are not counted under fuel economy measures, and some fuel economy improvements do not reduce emissions commensurately.[28]

That doesn't cut it. Let me count the ways.

1. A greenhouse gas emission standard does not have to be "identical" to a fuel economy standard to be "related to" it.

2. CARB is hardly one to maintain that fuel economy and greenhouse gas standards "have different policy objectives" when CARB's big selling point (touted elsewhere in Goldstene's letter) is that combining EPA's greenhouse gas standards with NHTSA's corporate average fuel economy (CAFE) standards yields 33% more fuel savings.

3. The fact that EPA's greenhouse gas standards utilize "different incentives and flexibility features" is irrelevant. Neither greenhouse gas regulation nor fuel economy regulation is defined by those features and incentives. The CAFE program, for example, would still be a fuel economy program even if it did not allow for payments of fines in lieu of compliance or award credits for flex-fuel vehicle sales.

4. Although some technologies — e.g., improved sealants for automobile air conditioning systems — "are not counted under fuel economy measures," such technologies address only 5.1% of motor vehicle greenhouse gas emissions.[29] The remaining 94.9% can only be addressed by fuel-saving technologies. For that overwhelming lion's share, fuel economy improvements do reduce greenhouse gas emissions "commensurately."

In short, being "highly related" to fuel economy, California's AB 1493 program violates EPCA's express prohibition.

VI. CARB: Fuel Economy Retro

Finally, Administrator Jackson should have declined to reconsider Johnson's decision because CARB's program conflicted with fuel economy reforms Congress had enacted in the 2007 Energy Independence and Security Act (EISA).[30] EISA replaced the "flat" standards of the original CAFE program, which applied to an automaker's entire fleet, with "attribute-based" standards that vary according to a vehicle's "footprint" – the area formed by the wheel base multiplied by the track width. The fleet-wide, flat approach encouraged automakers to increase production and sale of smaller vehicles rather than improve fuel economy across all vehicle types. Congress switched to the attribute-based approach in hopes of encouraging compliance via technological innovation.

Although California's greenhouse gas emission standards are calibrated in CO_2-equivalent grams per mile rather than miles per gallon, they are flat, not attribute-based. As in the pre-EISA federal program, there is one average standard for all light vehicles and one for all heavier vehicles. As CARB noted only last year:

> The AB 1493 regulations set separate greenhouse gas emission standards for both passenger cars and light-duty trucks (PC/LTD1) and heavier light-duty trucks and medium-duty passenger vehicles (LDT2/MDPV). . . .Compliance is determined on a fleet-wide basis, meaning that while each individual model can be above or below the standard, the average of a manufacturer's fleet must meet the standard or else the manufacturer incurs debits that must be equalized within five years.[31]

VII. Tainted Process

Since the "historic agreement" flouts the substance of federal law, it is not surprising that the process by which it was reached flouts federal procedural requirements. The negotiations appear to directly conflict with the Presidential Records Act, which states:

> Through the implementation of records management controls and other necessary actions, the President shall take all such steps as may be necessary to assure that the activities, deliberations, decisions, and policies that reflect the performance of his constitutional, statutory, or other official or ceremonial duties are adequately documented and that such records are maintained as Presidential records pursuant to the requirements of this section and other provisions of law.[32]

Far from documenting the negotiations of the "historic agreement," White House environment czar Carol Browner required participants to observe a "vow of silence" and forbade them to take notes. "We put nothing in writing, ever," CARB Chairman Mary Nichols told the *New York Times*.[33]

For all we know, the negotiations went something like this:

> Are you auto guys going to come along quietly? Or do we have to let the California Air Resources Board muss ya up? Look, pretty nice car company you got there. Or at least it used to be before you went broke. Everybody needs protection. You need protection. Promise not to cross us, and nobody gets hurt.

In his September 30, 2011 to Administrator Jackson,[34] Chairman Issa notes three circumstances suggesting that the Obama administration may have tied its offer of bailout money to automakers' participation in the "historic agreement":

1. The administration reached agreements to bailout GM and Chrysler just three weeks after the "historic agreement" was struck.

2. Former EPA Associate Administrator Lisa Heinzerling served on "the Presidential Task Force charged with bailout negotiations and was also a primary negotiator of the 'Historic Agreement.'"

3. One domestic manufacturer received over $200 million in federal support for the development of electric vehicles – "two loans being authorized in the weeks leading up to the agreement, and one authorized on May 20, 2009, the day after the 'Historic Agreement' was announced. . . ."

In light of these circumstances and the patchwork threat, Chairman Issa cannot be blamed for wondering whether the administration made the auto industry an offer it could not refuse.

VIII. The Taint Continues

The more recent negotiations culminating in the EPA/NHTSA/CARB greenhouse gas/fuel economy standards for model years 2017-2025 also appear to be less than clean.

Citing Jeremy Anwyl,[35] CEO of Edmunds.Com, and Jack Nerad[36] of Kelley Blue Book, in an August 11, 2011 letter[37] to White House Counsel Kathryn Ruemmler, Chairman Issa contends that although the Administration conferred with environmentalists, automakers, and union labor, there was no one at the table representing "the very consumers who will be asked to buy a new generation" of higher-priced vehicles. The 54.5 mpg standard was the product of an off-the-record political negotiation. From this point on, the rulemaking process will be a "mere formality" – a criticism also voiced by Amy Sinden of the pro-regulatory Center for Progressive Reform.[38]

The Administrative Procedure Act "does provide agencies with the option of conducting a negotiated rulemaking," notes Issa. However, "such a process is subject to additional transparency requirements, such as those required under FACA [Federal Advisory Committee Act]. FACA requires the head of the lead agency to: (i) make an official determination that a negotiated rulemaking committee serves the public interest;[39] (ii) publish in the *Federal Register* a notice that lists the persons proposed to represent the affected interests, describes the agenda of the negotiation, and solicits public comment;[40] and (iii) keep minutes and records.[41] EPA and NHTSA, the lead federal agencies in the negotiation, did not take those steps.

IX. Outside the Scope of Law

Next we come to the elephant in the room – what Chairman Issa describes as EPA and NHTSA's regulating "outside the scope of law." EPA and NHTSA plan to establish fuel economy standards for model years 2017-2025 – a nine-year period. But EPCA limits the setting of fuel economy standards to "not more than 5 model years."[42] No matter how hard or long the lawyers squint at the page, 5 does not mean 9.

Apparently, the Obama administration thinks it can finesse the discrepancy by basing MYs 2022-2025 fuel economy standards solely on EPA's authority to set vehicle emission standards under section 202 of the Clean Air Act. This is bizarre. EPA will pretend to establish greenhouse gas emission standards rather than fuel economy standards, but will do so by specifying CO_2 reduction percentages that the agency avows, and everybody knows, convert directly into fuel economy standards.

Let me state the obvious. When Congress enacted and amended section 202 of the Clean Air Act, it did not transfer the power to regulate fuel economy from NHTSA to EPA. Nor did Congress authorize any agency to disregard EPCA's explicit limit on setting fuel economy standards for "not more than 5 model years."

Chairman Issa points out another conflict between the Obama administration's nine-year plan and EPCA. EPCA obligates the Secretary of Transportation to consider "economic practicability" when setting fuel economy standards.[43] But, observes Issa, "At this time it is impossible for NHTSA to adequately consider economic practicality for fuel standards in MYs 2022-25, primarily because car manufacturers themselves do not have product plans for that year, and market conditions are unknown 14 years into the future."[44]

X. Harmonized and Consistent?

In *Massachusetts v. EPA*, the Court rejected the argument that EPA "cannot regulate carbon dioxide emissions from motor vehicles because doing so would require it to tighten mileage standards, a job (according to EPA) that Congress has assigned to DOT." The Court did not explain why it rejected that argument. It simply asserted, "The two obligations may overlap, but there is no reason to think the two agencies cannot both administer their obligations and yet avoid inconsistency."[45]

Would the Court see no inconsistency between NHTSA's approval of a nine-year fuel economy standards program and EPCA's five-year limitation? Would it see no inconsistency between NHTSA and EPA's off-the-record stakeholder negotiations and FACA? Would it see no inconsistency between NHTSA's support for the California waiver and EPCA's prohibition of state laws and regulations "related to" fuel economy?

A familiar refrain we hear from the agencies is that EPA and CARB's greenhouse gas standards are "harmonized and consistent" with NHTSA's fuel economy standards. Yet the same officials contend that if Congress were to overturn EPA's greenhouse gas component of the Tailpipe Rule, Americans would consume 25% more oil (an additional 19.1 billion gallons) over the lifetime of the same vehicles. How can that be?

CARB Executive Director David Goldstene addresses the issue in his aforementioned letter to Chairman Whitfield:

> That the National Program [NHTSA + EPA] achieves greater emissions reductions and fuel savings than the CAFE standards alone is a result of the different underlying statutory authority that results in different program components. The four key differences are: 1) unlike the Energy Policy Conservation Act (EPCA), the CAA allows for the crediting of direct emission reductions and indirect fuel economy benefits from improved air conditioners, allowing for greater compliance flexibility and lower costs; 2) EPCA allows Flexible Fuel Vehicle (FFV) credits through model year 2019, whereas the EPA standard requires demonstration of actual use of a low carbon fuel after model year 2015; 3) EPCA allows for the payment of fines in lieu of compliance but the CAA does not; and 4) treatment of intra firm trading of compliance credits between cars and light trucks categories.[46]

Difference 1) doesn't get us anywhere near 19.1 billion gallons in additional fuel savings. According to the Tailpipe Rule, CO_2 emissions due to air conditioner-related loads on automobile engines account for only 3.9% of total passenger car greenhouse gas emissions, and various technologies could reduce air conditioner-related CO_2 emissions by 10% to 30%.[47] Even a 30% reduction of the 3.9% of motor vehicle emissions associated with air conditioner engine load would decrease fuel consumption by only 1.1%.

Differences 2) and 3) are likely the big factors. Per difference 2), automakers cannot comply with EPA's greenhouse gas standards by manufacturing flexible-fueled vehicles. And per difference 3), automakers cannot pay fines in lieu of compliance with EPA's greenhouse gas standards.

Because of differences 2) and 3), EPA will always be able to make NHTSA's fuel economy standards more stringent than they would be if administered under the statutory scheme Congress created. The so-called National Program is "harmonized and consistent" only in the sense that EPA and CARB are now calling the shots. The consistency and harmony is that of the first mate singing "aye aye, sir" to the captain. Yet, to repeat the obvious, Congress delegated the captaincy to NHTSA, not EPA or CARB.

In a July 11, 2011 letter to Chairman Whitfield responding to questions from Energy and Commerce Committee members,[48] EPA Associate Administrator David McIntosh also attempts to vouch for the harmony and consistency of the National Program.

In his question to EPA, Rep. John Shimkus (R-Ill.) pointed out that EISA extended the CAFE credit granted to manufacturers of FFVs, phasing it out in 2020, whereas EPA's greenhouse gas regulations allow credits "only during the period from model years 2012 to 2015." After that, "EPA will only allow FFV credits based on a manufacturer's demonstration that the alternative fuel is actually being used in the vehicles." Shimkus asked:

> How can this rule be characterized as "harmonized and consistent" if the way EPA treats FFV [credits] is markedly different than the way Congress mandated FFV credits be treated under CAFE?

McIntosh replied:

> EPA treats FFVs for model years 2012-2016 the same as under EPCA [as amended by EISA]. Starting with model year 2016, EPA believes the appropriate approach is to ensure that FFV emissions are based on demonstrated emissions performance, which will correlate to actual usage of alternative fuels. This approach was supported by several public comments."

So, starting in 2016, EPA will not give an automaker a CAFE credit for building FFV vehicles unless the automaker can demonstrate that its customers actually use alternative fuels — a requirement inconsistent with EISA. Several people submitting comments on EPA's greenhouse gas standards supported this approach. And that, apparently, is all the justification EPA needs to override the policy set forth in law.

In sum:

- In 2016-2019, NHTSA gives credits for building FFVs.
- In 2016-2019, EPA does not give credits for building FFVs.
- The two policies are harmonized and consistent.
- And 2 + 2 = 5.

The two sets of standards are "harmonized and consistent" only in the sense that EPA's rules trump NHTSA's rules and the statutory scheme Congress authorized in EISA.

Shimkus also asked: "Could the logical reason for Congress's silence on FFVs in section 202(a) be that Congress never envisioned the Clean Air Act would be used to regulate fuel economy?" Associate Administrator McIntosh did not reply to this question.

XI. Conclusion

EPA's allies typically fall back on two arguments. If we allow EPA to regulate fuel economy, we will use less oil and reduce oil dependence more than if NHTSA acts alone under its EPCA authority. That does appear to be the case, but it is irrelevant. Public policy is not a game in which he who proposes the biggest reduction in oil consumption wins.

Congress typically spends years debating changes in fuel economy policy because so many competing interests come into play. Fuel economy standards have serious downside risks.[49] If pushed too far too fast, fuel-economy standards can price low-income households out of the new-car market. They can force automakers to pay more attention to what agencies want than what consumers want, jeopardizing auto industry sales and jobs. They inevitably induce vehicle down-weighting, contributing to fatalities and serious injuries in collisions.[50]

If Members of Congress believe that NHTSA, left to its own devices, will not regulate aggressively enough, they can always advance their agenda the old-fashioned way: Draft a bill, and try to persuade colleagues and the public to support it.

But first and foremost, they should be jealous of their constitutional prerogatives. They should not applaud and cheer when EPA poaches powers Congress delegated to another agency, disregards Congress's prohibition of fuel economy regulation by states, behaves like a protection racket, and flouts procedural safeguards for transparency and accountability in rulemaking.

A similar apologetic is that EPA must act because Congress has failed to take "meaningful action" on global warming. As one prominent opponent of Sen. Murkowski's resolution of disapproval put it, if the public has to wait for Congress to pass legislation to control greenhouse gas emissions, "that might not happen in a year or two, or five or six or eight or 10."[51] Perhaps, but the fact that Congress is still debating climate policy is reason for EPA not to act, not an excuse for an administrative agency to legislate from the bureau.

The legislative process is slow by constitutional design. That it is easier to block than pass legislation works to promote moderation and continuity in policymaking. It helps ensure that big changes in public policy are properly vetted and enjoy broad public support. The legislative process is more valuable than any result EPA might obtain by doing an end run around it. Members of Congress should understand this better than anyone else.

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[1] H.R. 2454, *American Clean Energy and Security Act of 2009*, p. 692, http://www.gpo.gov/fdsys/pkg/BILLS-111hr2454pcs/pdf/BILLS-111hr2454pcs.pdf.
[2] EPA, National Highway Traffic Safety Administration, *Final Tailpipe Rule*, 75 FR, pp. 25424, 25323 (emphasis added), http://www.globalwarming.org/wp-content/uploads/2011/08/Final-Tailpipe-Rule.pdf
[3] EPA, NHTSA, CARB, *Interim Joint Technical Assessment Report: Light Duty Vehicle Greenhouse Gas Emission Standards and Fuel Economy Standards for Model Years 2017-2025*, September 2010, p. viii, http://www.epa.gov/oms/climate/regulations/ldv-ghg-tar.pdf.
[4] Id at ix.
[5] 49 U.S.C. § 32902(a).
[6] 49 U.S.C. § 32902(b).
[7] 49 U.S.C. § 32904.
[8] EPA, *California Motor Vehicle Pollution Control Standards; Reconsideration of Previous Denial of Waiver of Preemption*, 74 FR 7040, February 12, 2009, http://www.epa.gov/fedrgstr/EPA-AIR/2009/February/Day-12/a2913.pdf.
[9] EPA, *California State Motor Vehicle Pollution Control Standards; Notice of Decision Denying a Waiver of Clean Air Act Preemption for California's 2009 and Subsequent Model Year Greenhouse Gas Emission Standards for New Motor Vehicles*, 73 FR 12156, March 6, 2008, http://www.epa.gov/fedrgstr/EPA-AIR/2008/March/Day-06/a4350.pdf.
[10] National Automobile Dealers Association, *Patchwork Proven: Why A Single National Fuel Economy Standard Is Better For America Than A Patchwork of State Regulations*, January 2009, http://www.nada.org/NR/rdonlyres/DBCC625E-2E8E-4291-8B23-B94C92AFF7C4/0/patchworkproven.pdf.
[11] The White House, *Remarks by the President on National Fuel Economy Standards*, May 19, 2009, http://www.whitehouse.gov/the-press-office/remarks-president-national-fuel-efficiency-standards.
[12] State of California Air Resources Board, Resolution 10-15, February 25, 2010, http://www.arb.ca.gov/regact/2010/ghgpv10/res1015.pdf.
[13] Darrell E. Issa, Chairman, Letter to Honorable Lisa Jackson, September 30, 2011, http://www.washingtonpost.com/r/2010-2019/WashingtonPost/2011/09/30/Health-Environment-Science/Graphics/oversight930.pdf.

[14] The text of S.J. Res. 26 is available at http://www.gpo.gov/fdsys/pkg/BILLS-111sjres26pcs/pdf/BILLS-111sjres26pcs.pdf.

[15] EPA, *Endangerment and Cause or Contribute Findings for Greenhouse Gases Under Section 202(a) of the Clean Air Act*, 74 FR, 66496, December 15, 2009, http://epa.gov/climatechange/endangerment/downloads/Federal_Register-EPA-HQ-OAR-2009-0171-Dec.15-09.pdf.

[16] Sen. Lisa Murkowski, opening statement, debate on S.J. Res 26, Congressional Record, S4789-4793, June 10, 2010, http://www.gpo.gov/fdsys/pkg/CREC-2010-06-10/pdf/CREC-2010-06-10-pt1-PgS4789.pdf#page=1.

[17] EPA Administrator Lisa Jackson, letter to Sen. Jay Rockefeller, February 22, 2010, http://epa.gov/oar/pdfs/lpj_letter.pdf.

[18] EPA, *California State Motor Vehicle Pollution Control Standards; Notice of Decision Granting a Waiver of Clean Air Act Preemption for California's 2009 and Subsequent Model Year Greenhouse Gas Standards for New Motor Vehicles*, 74 FR 32744, July 8, 2009, http://www.gpo.gov/fdsys/pkg/FR-2009-07-08/pdf/E9-15943.pdf.

[19] Stephen Johnson, EPA Administrator, Letter to Gov. Arnold Schwarzenegger, December 19, 2007, http://www.epa.gov/otaq/climate/20071219-slj.pdf.

[20] The governors' joint letter is available at http://www.californiahydrogen.org/content/gov-schwarzenegger-joins-13-governors-letter-epa,

[21] Senate Committee on Environment and Public Works, hearing on "Oversight of EPA's Decision to Deny the California Waiver," January 24, 2008, http://epw.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=8a7a0a80-802a-23ad-44b4-a1d4f1b4cc15.

[22] EPA, *California State Motor Vehicle Pollution Standards; Notice of Decision Granting a Waiver of Clean Air Act Prevention for California's 2009 and Subsequent Model Year Greenhouse Gas Emission Standards for New Motor Vehicles*, 74 FR 32744, July 8, 2009, http://edocket.access.gpo.gov/2009/pdf/E9-15943.pdf.

[23] U.S.C. 49, Sec. 32919(a).

[24] CARB, *Staff Report: Initial Statement of Reasons for Proposed Rulemaking, Public Hearing to Consider Adoption of Regulations to Control Greenhouse Gas Emissions from Motor Vehicles*, August 6, 2004, http://www.arb.ca.gov/regact/grnhsgas/isor.pdf.

[25] NRC, *Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards*, 2002, pp. 31-43, especially Tables 3-1 & 3-2, http://www.nap.edu/openbook.php?isbn=0309076013.

[26] The text of AB 1493 is available at http://en.wikisource.org/wiki/California_AB_1493.

[27] CARB, *Staff Report*, p. 148.

[28] James N. Goldstene, Executive Officer, California Air Resources Board, Letter to Rep. Ed Whitfield, March 22, 2011, http://www.globalwarming.org/wp-content/uploads/2011/06/CARB-QFR-Goldstene-EC-2011-02-09.pdf

[29] EPA, NHTSA, Tailpipe Rule, p. 25424.

[30] For a discussion of the EISA fuel economy reforms, see Brent D. Yacobucci and Robert Bamberger, *Automobile and Light Truck Fuel Economy: The CAFE Standards*, Congressional Research Service, April 23, 2010, http://nepinstitute.org/get/CRS_Reports/CRS_Energy/Energy_Efficiency_and_Conservation/CAFE_Standards_for_Light_Trucks_and_Autos.pdf.

[31] CARB, Title 13, *Notice of Public Hearing to Consider Proposed Amendments to New Passenger Vehicle Greenhouse Gas Emission Standards for Model Years 2012-2016 to Permit Compliance Based on Federal Greenhouse Gas Emission Standards*, February 25, 2010, p. 2, http://www.arb.ca.gov/regact/2010/ghgpv10/ghgpvnot.pdf.

[32] 44 U.S.C. § 2203(a).

[33] Collin Sullivan, "Vow of silence key to White House-Calif. fuel economy talks," *New York Times*, May 20, 2009, http://www.nytimes.com/gwire/2009/05/20/20greenwire-vow-of-silence-key-to-white-house-calif-fuel-e-12208.html.

[34] Issa Letter to Jackson, September 30, 2011, pp. 3-4.

[35] Jeremy Anwyl, *A Letter to the EPA*, July 28, 2011, http://www.autoobserver.com/2011/07/a-letter-to-the-epa.html.

[36] LeaseTrader.Com, *Top Auto Execs Gather with Obama in Washington to Boast about New Fuel Economy Requirements. But Is Everyone Really Happy?* August 1, 2011, http://news.leasetrader.com/archive/2011/08/01/Top-Auto-Execs-Gather-with-Obama-in-Washington-to-Boast.aspx.

[37] Darrell Issa, Chairman, Letter to Kathryn Reummler, Counsel to the President, August 11, 2011, http://www.globalwarming.org/wp-content/uploads/2011/08/Darrel-Issa-letter-regarding-CAFE-deal-Aug-11-2011.pdf.

[38] Amy Sinden, *White House Flouts Agency Heads, Rolls Out Backroom Deal on Fuel Economy Standard*, July 29, 2011, http://www.progressivereform.org/CPRBlog.cfm?idBlog=7426C8E2-CF0F-8446-72B4F05FF595E94B.

[39] 5.U.S.C. § 563.

[40] 5.U.S.C. § 564.

[41] 5.U.S.C. § 566.

[42] 49 U.S.C. § 32902(b)(3)(B).

[43] 49 U.S.C. § 32902(f).

[44] Issa Letter to Ruemmler, August 11, 2011, p. 4.

[45] *Massachusetts v. EPA*, 549 U.S. 2007, p. 29, http://www.law.cornell.edu/supct/pdf/05-1120P.ZO.

[46] Goldstene Letter to Whitfield, March 11, 2011, p. 2.

[47] EPA/NHTSA *Tailpipe Rule*, pp. 25427-25428.

[48] David McIntosh, EPA Assistant Administrator, Letter to House Energy and Power Subcommittee Chairman Ed Whitfield, July 11, 2011, http://www.globalwarming.org/wp-content/uploads/2011/06/EPA-response-to-harmonized-and-consistent-June-2011.pdf.

[49] Sam Kazman, *First, Do No Harm to Motorists: Six Reasons Not to Raise CAFE Standards*, Competitive Enterprise Institute, On Point No. 114, June 2007, http://cei.org/pdf/5967.pdf.

[50] National Research Council, *Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards* (2002), p. 27, http://books.nap.edu/openbook.php?record_id=10172&page=27.

[51] Juliet Eilperin, "Senators try to thwart EPA efforts to curb emissions," *Washington Post*, February 22, 2010, http://www.washingtonpost.com/wp-dyn/content/article/2010/01/21/AR2010012104512.html?nav=emailpage.

Mr. JORDAN. Thank you, Dr. Lewis.
Mr. Hwang.

STATEMENT OF ROLAND HWANG

Mr. HWANG. Thank you, Chairman Jordan and Ranking Member Cummings, for the opportunity to testify today.

My name is Ronald Hwang. I am the Transportation Program Director for the Natural Resources Defense Council. NRDC is a nonprofit organization of scientists, lawyers, and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 1.3 million members and online activists nationwide.

President Obama's July 30th announcement of the latest clean car agreement builds on two other previous highly successful and broadly supported agreements for stronger pollution and fuel efficiency standards for passenger vehicles and commercial trucks. These three agreements exemplify how leadership, partnership, and compromise can solve the enormous environmental, economic, and energy challenges facing this country.

Far from running on empty, these clean car and fuel efficiency standards will save Americans from emptying their wallets at the pump, slow the emptying of our national wealth for foreign oil, and cut the dangerous carbon pollution that is emptying our children's future.

Over the lifetime of model year 2012 and 2025 vehicles covered by the first and second round of clean car standards, drivers will save $1.7 trillion in fuel savings, oil dependence will be reduced by 12 billion barrels of oil, and heat trapping pollution that drives global warming will be cut by approximately 6 billion metric tons.

By cutting our oil dependency, the national program will act as a powerful economic stimulus by allowing us to keep $100 billion annually by 2030 in the U.S. economy, money that otherwise would be sent overseas to Saudi Arabia, Iran, Venezuela, and other oil exporting countries. Drivers will have more money in their pockets. By 2030, net fuel savings from these combined standards will be equivalent to a $330 tax rebate for every American household. This higher level investment in the U.S. economy and reduced fuel bills is estimated to create 500,000 more jobs by 2030.

With such overwhelming benefits, it is not surprising the most recent clean car agreement has strong support from a broad array of stakeholders; from automakers to environmentalists, Republicans to Democrats, consumer advocates to energy security advocates, business leaders to labor unions. Even an overwhelming 80 percent of small business owners support a 60 mpg standard by 2025.

One of the great success stories is the role the national program has played in laying the foundations for the auto industry's remarkable recovery. In a world of volatile but steadily rising oil prices, it is regulation that has played a crucial role in providing businesses the certainty they need to invest in fuel-efficient technologies needed to be competitive in the future.

Compared to 2009, when the auto industry hit rock bottom, car sales, profits, and fuel efficiency are all on the rise. And one of the key reasons for why stronger standards and the auto industry re-

covery are going hand-in-hand is that with $3.50 gallon gasoline prices, consumers are demanding, make no mistake about it, fuel-efficient cars. In fact, thanks to the new products now on the market in anticipation of stronger standards, automakers like General Motors and Ford find themselves stepping up production and hiring new workers to keep up with the demand for fuel-efficient cars like the Chevy Cruze and Ford Focus.

The market trend toward fuel efficiency is clear. Americans have fallen out of love with gas-guzzling vehicles and engines. Where once truck-based SUVs and V8s ruled the road, now one out of every two vehicles sold is a small car, small crossover, or a mid-sized car. And thrifty 4-cylinder vehicles are now America's most popular engine choice. Even picky drivers are choosing fuel efficiency. Six out of 10 Ford F–150 buyers are now choosing the more powerful and more fuel-efficient EcoBoost engine options, even though it costs extra.

But perhaps the most remarkable result of the newest clean car agreement is what it shows about getting beyond political gridlock in today's America. The President, the auto companies, States, labor, and environmentalists have once again shown what it means to govern effectively and what can be accomplished by constructive compromise.

Chairman Jordan, Ranking Member Cummings, and members of the subcommittee, the Clean Car and Clean Truck National Program are examples of Government at its best. The results speak for themselves. Upsetting this important program would only raise drivers' fuel bills, increase dangerous pollution, and make us more dependent on foreign oil.

In view of its overwhelming benefits and overwhelming support, if anything, Congress should be urging the agencies to implement this important program sooner rather than later.

Thank you for your attention, and I welcome your questions.

[The prepared statement of Mr. Hwang follows:]

TESTIMONY OF ROLAND J. HWANG
DIRECTOR, TRANSPORTATION PROGRAM
NATURAL RESOURCES DEFENSE COUNCIL

HEARING ON THE HISTORIC CLEAN CAR STANDARDS
BEFORE THE SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS OVERSIGHT AND GOVERNMENT SPENDING

OCTOBER 12, 2011

Thank you, Chairman Jordan and Ranking Member Kucinich, for the opportunity to testify today. My name is Roland Hwang, and I am the Transportation Program Director of the Natural Resources Defense Council (NRDC). NRDC is a nonprofit organization of scientists, lawyers, and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 1.3 million members and online activists nationwide, served from offices in New York, Washington, Los Angeles, San Francisco, Chicago, and Beijing.

President Obama's July 30th announcement is the third historic agreement to bring us cleaner cars and trucks, dramatically cutting carbon pollution and raising fuel economy for new cars, SUVs, minivans, and pick-ups built between 2017 and 2025. The latest announcement builds on the joint NHSTA and EPA rules for model years 2012 to 2016 passenger vehicles and for model years 2014 to 2018 medium- and heavy-duty trucks.[1,2] These agreements exemplify how leadership, partnership, and compromise can help solve the enormous environmental, economic and energy challenges facing our country.

Far from "running on empty," these clean car and fuel economy standards will save Americans from emptying their wallets at the pump, stop the emptying of our national wealth for foreign oil, and cut the dangerous carbon pollution that is emptying our children's future.

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[1] EPA and DOT. "Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards for MY2017-MY2025 (Final Rule)." Federal Register 75:88 . May 7, 2010.

[2] EPA and DOT. "Greenhouse Gas Emission Standards and Fuel Efficiency Standards for Medium- and Heavy-duty Engines and Vehicles." Federal Register 76:179. September 15, 2011.

The latest agreement to strengthen clean car standards will cut carbon pollution by almost half from current vehicles and increase fuel-efficiency standards to 54.5 mpg by 2025. The combined savings of the first and second round of light-duty standards over the lifetime of 2012 to 2025 vehicles will save drivers $1.7 trillion in fuel cost, reduce oil dependency by 12 billion barrels of oil, and cut heat-trapping pollution that drives global warming by approximately 6 billion metric tons.[3]

By 2030, the 2012 to 2025 National Program standards will reduce oil consumption by 3.1 million barrels per day, equivalent to 30 percent of the amount of oil we currently import.[4] The National Program will act as a powerful economic stimulus by keeping $100 billion annually in the U.S. economy instead of sending it overseas to Saudi Arabia, Iran, Venezuela and other oil-exporting nations. This higher level of investment in the U.S. economy, especially auto manufacturing, will result in roughly half a million more jobs by 2030.[5]

American consumers are already benefiting from the more fuel-efficient vehicle options available due to the current National Program requirements and will benefit more as the standards get stronger. By 2030, the new agreement will provide the equivalent of a $330 tax rebate to every American household.[6] Compared to today's average vehicle, a 54.5 mpg standard will save the average driver $6,800 over the vehicle's lifetime, with most drivers seeing benefits *immediately* in the form of reduced total monthly payments for the car and fuel.[7]

Strong, Broad-Based Support for Latest Clean Car Agreement

The most recent clean car agreement has broad support from almost all of the auto industry[8], and from Republicans and Democrats[9], consumer advocacy groups[10,11], national security groups[12,13],

[3] The White House, "Driving Efficiency: Cutting Costs for Families at the Pump and Slashing Dependence on Oil." Report release July 2011.
[4] NRDC estimate based on EPA/DOT 2010 and UCS and NRDC 2011 (UCS and NRDC. "Saving Money at the Gas Pump: State-by-State Consumer Savings from Stronger Fuel Efficiency and Carbon Pollution Standards". September 2011.)
[5] Ceres. *More Jobs per Gallon: How Strong Fuel Economy/GHG Standards will Fuel American Jobs*. July 2011.
[6] Op. cit. UCS and NRDC 2011.
[7] NRDC analysis based on EPA/DOT 2010 and UCS and NRDC 2011.
[8] Commitment letters from 13 automakers to Secretary LaHood and Administrator Jackson. Dated July 2011 . Letters from BMW, Chrysler, Ford, GM, Honda, Hyundai, Jaguar Land Rover, Kia, Mazda, Mitsubishi, Nissan, Toyota Volvo. http://epa.gov/otaq/climate/regulations.htm

economists[14], business leaders[15], small business owners[16], the UAW[17], and environmental organizations[18].

Numerous polls show that a large majority of Americans support raising fuel economy standards to 60 mpg by 2025. A Consumer Federation of America found 60 percent of American consumers support a 60 mpg standard with a payback of three and five years.[19] A poll for national environmental groups found 83 percent of voters support a 60 mpg standard with a payback of four years.[20] Polls by the investor group Ceres found 56 percent of Michigan voters and 59 percent of Ohio voters support 60 mpg with a payback time of four years.[21] Finally, a poll by the Public Policy Institute of California found that an overwhelming 84 percent of Californians support requiring automakers to significantly improve fuel efficiency, including 76 percent of Republicans.[22]

Small business owners – many of whom buy cars and trucks for their businesses – also strongly support higher fuel economy standards. A recent poll by the Small Business Majority found that 87 percent of small business owners overwhelmingly support adopting strong fuel efficiency standards now and 80 percent support requiring the auto industry to increase mileage to 60 mpg by 2025.[23] According

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[9] Bipartisan Joint Letter to President Obama. Signed by The Honorable Diane Feinstein, US state Congress, D-California, et al. Dated July 25, 2011.
[10] American Consumer Advocacy Groups. Joint Letter to President Obama. Signed by Consumer Federation of American, et al. Dated September 22, 2010.
[11] Consumer Union. Consumers Reports Says 56 Miles-Per-Gallon Vehicle Standard is Good, but 62 MPG is Better Aggressive Fuel Economy Standard by 2025 Will Save Consumers Money and Dramatically Cut Oil Consumption. Press Release. June 30, 2011.
[12] Securing America's Future Energy. *Oil Savings from the Proposed 2017–2025 Fuel Economy Standards*. Issue Brief. June 8, 2011
[13] Ashley Howe. Truman Thanks Obama in POLITICO. Blog. Truman Project. August 3, 2011.
http://www.operationfree.net/2011/08/03/truman-advertisement-featured-in-politico/
[14] American Economist Group Joint Letter to President Obama. Signed by Michael Anderson, Ph.D. University of California, Berkley, et al. Dated June 7, 2011
[15] Environmental Entrepreneurs (E2) Joint Letter to President Obama. Signed by Curtis Abbott, Lucesco Lighting Inc., et al. Date June 30, 2011
[16] Small Business Majority. Small Businesses Strongly Support Raising Fuel Efficiency Standards. Press Release. July 29, 2011
[17] UAW. UAW supports administration proposal on light-duty vehicle CAFE and greenhouse gas emissions reductions. Press Release. July 29, 2011.
[18] Environmental Advocacy Groups Joint Letter to President Obama. Signed by Cindy Shogan Alaskan Wilderness League, et al. Dated September 9, 2010.
[19] Consumer Federation of America. The Consumer Case for Strong Fuel Economy Standards: 56 MPG by 2025 Works. Press Release. June 28, 2011.
[20] The Mellman Group, Inc. Memo to Environment America, The National Resources Defense Council, Sierra Club, & Union of Concerned Scientists. *Voters Overwhelmingly Support Stricter Fuel Efficiency Standards*. Released September 15, 2010.
[21] Ceres. Voters in America's Auto & Manufacturing Heartland Want 60 MPG Fuel Economy Standards by 2025. Press release. May 25, 2011.
[22] Public Policy Institute of California. PPIC Statewide Survey: Californians and the Environment. Press Release of Findings. July 27, 2011.
[23] Small Business Majority. *Small Businesses Strongly Support Raising Fuel Efficiency Standards*. Fuel Efficiency Poll. July 29, 2011.

to the Small Business Majority poll: "Small business owners say that in order to survive and remain competitive, they need automobiles that get better gas mileage and cost less to operate."

Clean Car Agreements Shows Clean Air Act Works

But maybe the most important result of the newest clean car agreement is what it shows about getting beyond political gridlock in today's America. The President, the auto companies, states, labor and environmentalists have, once again, shown what it means to govern effectively and what can be accomplished by constructive compromise.

In the last half-century, it would be tough to find more implacable enemies than the car companies and advocates for cleaner air and higher mileage. We fought for decades over the Clean Air Act and Corporate Average Fuel Economy (CAFE). Over the last 10 years, California took the lead by setting its own carbon pollution standards under the Clean Air Act, with other states following suit. And a coalition of environmental organizations and states battled all the way to the Supreme Court, winning not one but two landmark rulings that it's EPA's job under the Clean Air Act to curb the pollution that causes global warming.[24,25]

By late in the last decade, some of the biggest firms in the auto industry had ground themselves into bankruptcy, while environmentalists found that their legal victories still had not translated into cleaner cars. The time was right for win-win solutions that cut pollution, cut oil dependence, saved consumers billions at the pump, and helped the auto companies get back to profitability in the new world of higher gas prices.

In 2009 the Obama administration hammered out an agreement – backed by every major auto company, the United Auto Workers, states, and environmental organizations – on a consistent set of carbon pollution and fuel economy standards for 2012-16. The standards are jointly implemented by EPA, the National Highway Traffic Safety Administration (NHTSA), and the California Air Resources

[24] *Connecticut v. American Electric Power*, 564 U. S. (2011).

[25] *Massachusetts v. Environmental Protection Agency*, 549 U.S. 497 (2007)

Board, acting under both the Clean Air Act and the Energy Independence and Security Act. In 2010, the administration forged a similar pact for highway trucks and other heavy vehicles. And now in 2011, the President's team has reached a third agreement, which will do even more than the first two historic pacts to cut pollution, cut our oil dependence, save consumers money, and create jobs.

The auto industry as and the environment are both fortunate that the Obama administration acted quickly in 2009 to seize the opportunity for consensus. In its first three months, the administration reached out, separately, to each of the contending parties – domestic and foreign car makers, the UAW, the states, and environmental organizations – and quickly found the above-described formula for common ground on the National Program for 2012-2016 that harmonizes standards from NHTSA, EPA, and California.

The agencies followed the same process of consultation regarding the standards for 2017 through 2025. And again they have been able to find common ground that works to the mutual advantage of the affected parties.

I want to emphasize that agencies routinely consult with and collect data from affected parties before proposing important regulations. You would not want it otherwise. How else can agencies learn what they need to know to develop smart, effective, efficient, and fair solutions to the problems Congress has tasked them to solve?

The period for consulting with and taking input from industry, environmentalists, states, and others often lasts longer than the formal interval between proposal and promulgation, and the input received before proposal is often more useful and important than that which is received in the formal comment period. This pre-proposal consultation is completely consistent with the Administrative Procedures Act and the procedural provisions of the Clean Air Act. Reflecting the fact that much technical work and interaction with affected parties precedes a formal proposal, the Clean Air Act specifically requires that both documents created by the agency and documents submitted by affected

parties will be put in a public docket at the time of proposal. EPA undoubtedly will do that when it issues the forthcoming proposed standards for 2017 through 2025.

The complaints you are hearing today from other witnesses are difficult to understand. In any event, what has been announced so far is just a proposal. Everyone will have a chance to submit public comments, and the agencies must consider and respond to those comments. If dealers or others feel there is important data that the process so far has somehow overlooked, let them bring that data forward in comments. That is how the process is designed to work.

No one has surrendered any legal rights. In fact, exercising their legal rights, an odd assortment of challengers has brought suit against the 2012-2016 clean car standards. The auto industry, environmentalists, and states find themselves on the same side, defending EPA's standards. There is no disinterested observer who thinks that the lawsuits will upset the standards, but no one argues with their right to bring it.

Bush Administration Initiated the Use of the Clean Air Act to Control Carbon Pollution in 2008

It may come as surprise to some committee members that using the Clean Air Act to control carbon pollution was first initiated by the Bush administration. In fact, in May 2007, a month after the Supreme Court's landmark decision in *Massachusetts v. EPA*, President Bush went to the Rose Garden and ordered EPA Administrator Johnson to carry it out by setting carbon pollution standards for new vehicles. And for a while it looked like the EPA actually would be allowed to act – until Johnson sent a proposed endangerment finding to the Office of Management and Budget in December of that year, and the OMB officials refused to open the email.

In January 2008, Administrator Johnson appealed directly – albeit unsuccessfully – to President Bush to stand by his Rose Garden pledge and let EPA carry out the law. His letter to the president stated that the science supported "a positive endangerment determination" on carbon pollution and "does not

permit a negative finding."[26] Consequently, Johnson proposed an action plan to curb emissions from motor vehicles and industrial sources *just like the action plan actually carried out by the Obama EPA.*

The Johnson letter reveals three new and important facts:

(1) That the Bush administration's EPA thought "a positive endangerment finding" was compelled by both the science and the law. Johnson wrote that the Supreme Court's decision "combined with the latest science of climate change requires the Agency to propose a positive endangerment finding." He continued: "the state of the latest climate change science does not permit a negative finding, nor does it permit a credible finding that we need to wait for more research."

(2) That Johnson's action plan – to issue an endangerment finding, set vehicle standards, and more – had "Cabinet-level" buy-in. Johnson wrote that the scientific and legal need to issue a positive endangerment finding "was agreed to at the Cabinet-level meeting in November." He continued: "A robust interagency policy process involving principal meetings over the past eight months has enabled me to formulate a plan that is prudent and cautious yet forward thinking."

(3) That Johnson's action plan contained exactly the same steps that his successor, Lisa Jackson, has carried out. Johnson told President Bush he had formulated a "prudent and cautious yet forward thinking" action plan that "will fulfill your Administration's obligations under the Supreme Court decision." The plan is attached to his letter. Phase 1 called for these actions, and I quote:

- In response to the Supreme Court mandate in Massachusetts v EPA, issue a proposed positive endangerment finding for public notice and comment as agreed to in the policy process.
- In response to the direction in [the Energy Independence and Security Act], issue a proposed vehicles rule jointly with the Department of Transportation to implement the new EISA and address issues raised in the Supreme Court case.
- To address requirements under the Clean Air Act, issue a proposed rule to update the New Source Review program to raise greenhouse gas thresholds to avoid covering small sources and to better define cost-effective, available technology.

[26] Steven L. Johnson, Former EPA Administrator, Memo to Former US President George Bush, January 31, 2008.

Timing: Proposal in March or April. Final by the end of 2008.

Johnson's letter noted that further actions were required: "[W]ithin the next several months, EPA must face regulating greenhouse gases from power plants, some industrial sources, petroleum refineries and cement kilns." So in his plan he proposed to address these sources in Phase 2, in spring 2008.

National Program Critical to Auto Industry's Turnaround

In a world of volatile but steadily rising gasoline prices, it is *regulation* that has played a crucial role in providing *business certainty*. That's right, the *regulatory certainty* provided by the National Program has been critical to the U.S. auto industry's recovery and international competitiveness. The current recovery of the auto industry demonstrates higher sales, greater profitability, and higher fuel efficiency can all go hand-in-hand.

In 2009, the auto market sales hit rock bottom with just 10.4 million vehicles sold, GM and Ford alone combining for losses of $19.3 billion, and average fuel efficiency of new passenger vehicles was just 20.9 mpg.[27] In a remarkable turnaround, today sales, profits and fuel efficiency are all dramatically higher. 2011 sales are estimated to be on track to reach 13.6 million, GM and Ford have already combined for $9.6 billion in profits for the first half of 2011 alone, and average calendar year 2011 fuel efficiency year-to-date is 22.5 mpg.[28] The first National Program in 2009 was critical in creating the predictable, stable regulatory environment that enabled the auto industry to effect this remarkable turnaround.

According to *Automotive News*, even automakers now admit that they are benefiting from stronger 2012 to 2016 standards that they fought so hard against: "Many automakers believe that the work they've done since the last big [gas] price surge, and in anticipation of higher government fuel-

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[27] NRDC calculation based on monthly sales data from Ward's Auto and average monthly fuel efficiency from University of Michigan Transportation Research Institute (UMTRI. *Average sales-weighted fuel economy of purchased new vehicles for October 2007 through September 2011*. October 5, 2011. Sources at <http://www.umich.edu/~umtriswt/EDI_sales-weighted-mpg.html>)

[28] NRDC calculation based on data from UMTRI 2011 monthly fuel efficiency data for January 2011 to September 2011. Note that this calculation will differ slightly from the EPA *2010 Fuel Economy Trend* report which reports fuel efficiency on a model year basis, October to September.

economy standards, leaves them better prepared this time, with stables of more competitive small cars and crossovers."[29]

Who are the biggest winners from stronger pollution and fuel economy standards? Perhaps ironically, Detroit: "It could be a fairer fight this time," wrote *Automotive News.* "GM and Ford not only have more competitive small cars, but hot-selling crossovers such as the Chevrolet Equinox and Ford Edge that could benefit if consumers abandon big SUVs."[30]

Alan Mullaly, Ford's chief executive, told Bloomberg that his company is better able to cope with rising fuel prices now than in 2008, when it was too heavy on trucks and large SUVs. Ford suffered more than $30 billion in losses from 2006 to 2008 but is now profitable with its renewed emphasis on fuel-efficiency and small cars. It reported net income of $2.4 billion in the second quarter of 2011.

GM is also now profitable and reported net income of $2.5 billion in the second quarter of 2011 after losing $28 billion in 2008 and 2009. "GM's investments in fuel economy, design and quality are paying off around the world as our global market share growth and financial results bear out," said Dan Akerson, chairman and CEO.[31]

Job creation benefits from the manufacturing of fuel-efficient vehicles and components are already accruing across the country. Both GM and Ford are having trouble keeping up with demand for their respective compact cars, the Chevrolet Cruze and Ford Focus. GM is adding overtime shifts to the Ohio plant that builds the Cruze, and Ford said it is stepping up overall production by 9 percent in the fourth quarter from what it was at the end of 2010.[32] Honda is already adding a second shift at its Greensburg, Indiana plant, where Civics are built, and plans to hire 1,000 people by the end of the year.[33] GM

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[29] Colias, Michael. Buyers move toward better fuel economy *Automotive News*. March 14, 2011. Sourced at <http://www.autonews.com/apps/pbcs.dll/article?AID=/20110314/RETAIL07/303149972/1135 >

[30] Ibid.

[31] Hanan Smith, Dottie. GM Investments in Fuel Economy, Design and Quality Paying Off *Automotive Discovery*. August 5, 2011. Sourced at <http://automotivediscovery.com/gm-investments-in-fuel-economy-design-and-quality-paying-off/929726/>

[32] Bunkley, Nick. Car Buyers Unfazed by Storms, Financial and Tropical, in August *New York Times*. September 1, 2011. Sourced at < http://www.nytimes.com/2011/09/02/business/car-sales-improved-in-august-over-a-year-ago.html >

[33] Network Indiana. Greensburg Honda Plant Adding Jobs *Network Indiana*. June 17, 2011. Sourced at < http://indianapublicmedia.org/news/greensburg-honda-plant-adding-jobs-16957/>

announced last year that it was hiring 1,000 engineers and researchers in Michigan to work on electric vehicles.[34] General Motors is just starting production of the 40 mpg 2012 Chevy Sonic at its Orion Township assembly plant suburban Detroit, the only subcompact car produced in the U.S.

Job Creation Benefits of 2017-2025 Clean Car Standards

The new standards will also help create tens of thousands of new jobs in the auto sector and even more across the economy. A recent study by the business group Ceres found that a 2025 standard of 51 MPG would create 484,000 full-time jobs in the economy, with 43,000 jobs directly in the auto industry by 2030.[35] Job benefits will be spread to all 50 states in both the form of more money to spend in the economy through fuel savings rebates and through more workers to build clean, efficient components and vehicles.

As shown in Figure 1, drivers in all 50 states will see a fuel savings rebate equivalent to $330 per household in 2030. Figure 2 shows that there are already more than 300 suppliers of fuel-efficient components located in 43 states and the District of Columbia. These companies are responsible for employing more than 150,000 workers directly and for employing hundreds of thousands of others indirectly.[36]

The reason for increased jobs is quite simple. Barbara Somson of the UAW summed it up best in a recent Senate testimony: "The simple equation for understanding how this job creation occurs is that the new technology required to meet tailpipe emissions standards represents additional content on each vehicle, and bringing that additional content to market requires more engineers, more managers, and more construction and production workers."[37]

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[34] Thompon, Chrissie. GM to hire 1,000 to boost electric vehicle efforts *Detroit Free Press*. November 30, 2010. Sourced at < http://www.usatoday.com/money/autos/2010-11-30-volt_N.htm >

[35] Op. cit. Ceres 2011

[36] Natural Resources Defense Council, National Wildlife Federation, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). *Supplying Ingenuity U.S. Suppliers of Clean, Fuel-Efficient Vehicle Technologies.* August 2011.

[37] Testimony of Barbara Somson, Legislative Director, UAW. Clean Air Act and Jobs. Senate Committee on Environment and Public Works, Subcommittee on Clean Air and Nuclear Safety, Subcommittee on Green Jobs and the New Economy. March 17, 2011

The Energy Information Agency of the U.S. DOE agrees with UAW that more content means more jobs. According to EIA: "Use of more fuel-efficient technology is likely to increase the number of employees needed to manufacture a vehicle" and that the "implicit assumption that employment per vehicle does not increase as vehicles incorporate additional technology to become more fuel efficient does not seem reasonable."[38]

Consumer Demand for Clean, Efficient Cars

Gasoline prices have been rising since 2005 and as a result, consumers are demanding more fuel-efficient cars. The national average gasoline price averaged about $3.50 in the beginning of October, a 25 percent increase compared to this time last year and a 50 percent increase since 2005. Twice in the last decade the automakers, especially the Detroit Three, got caught short of fuel-efficient models in response to gas price shocks. Sales trends, price data and consumer polls all strongly indicate that consumer demand for fuel-efficient vehicles is currently and will remain robust.

Despite the slight rebound in the market of SUVs and pickups in September, the long-term trend towards greater fuel efficiency is clear. As shown in Figure 3, sales-weighted fuel economy has steadily increased since model year 2005, rising from a 19.9 mpg to 22.5 mpg in model year 2010.[39] As shown in Figure 4, overall 2011 year-to-date average fuel economy of 22.5 is than the 2010 average of about 22.1 mpg, peaking at 23.0 mpg in March, before receding to 22.1 mpg in September.[40] With most experts expecting oil prices to remain high, the long-term demand for fuel-efficient vehicles is likely to remain robust. According to Fatih Birol, chief economist to the International Energy Agency (IEA), oil prices are likely to rise 30 percent over the next three years.[41]

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[38] Roland, Neil. Agency: Alliance job-loss claim is faulty. *Automotive News*. June 27, 2011. Sourced at <http://www.autonews.com/apps/pbcs.dll/article?AID=/20110627/OEM01/306279984/1143>

[39] EPA. *Light-Duty Technology, Carbon Dioxide Emissions and Fuel Economy: 1975 Through 2010*. EPA-420-S-10-00. November 2010.

[40] Op. cit. UMTRI 2011.

[41] Village. Alternatives to Expensive Oil (June 2011) *Village*. October 7, 2011 Sourced at <http://www.villagemagazine.ie/index.php/2011/10/alternatives-to-expensive-oil/>

Sales of smaller vehicles are growing. Small and mid-sized vehicles account for 48 percent of sales this year versus 38 percent in 2005. Fuel-inefficient, truck-based SUV sales are half of what they were in 2005, accounting for 7.5 percent of sales year-to-date in 2011 down from 15.4 percent in 2005. These heavier, less fuel-efficient truck-based SUVs have largely been replaced by car-based, more fuel-efficient "Crossover Utility Vehicles" which now comprise 25.8 percent of the market. Pickup sales are down from 3.2 million units in 2005 to just 1.6 million units in 2010, dropping from 18.7 percent to 13.9 percent market share. [42]

Four cylinders have replaced sixes as America's most popular engine choice, powering 43 percent of U.S. light vehicles sold in the first half of this year up from 25 percent in 2005.[43,44] Ford recently noted the shift away from V-8s: "EcoBoost-equipped F-150s had their best-ever sales month, and V6 engines continue to outsell V8s among F-150s, with Ford's new 3.5-liter EcoBoost and 3.7-liter V6 engines representing 57 percent of F-150 retail sales in September."[45]

The F-150 EcoBoost also clearly demonstrates consumer willingness to pay extra for higher fuel economy.The F-150 EcoBoost engine has 20 percent better fuel economy and more power than the model it replaces, and F-150 customers are willing to pay the $750 to $1,750 premium over less fuel-efficient versions.

Another indication of consumer demand for fuel efficiency is the used car market. Used cars overall are retaining a higher percentage of their original value than ever before, according to auto analysts who track prices. Compact cars that are 1 to 5 years old are worth, on average, about 30 percent more on the wholesale market now than just six months ago, the National Auto Auction

[42] NRDC calculations based on Ward's Auto sales data.
[43] Snyder, Jessie. They could've had a V-8 -- but more opt for 4 *Automotive News*. July 25, 201. Sourced at < http://www.autonews.com/apps/pbcs.dll/article?AID=/20110725/RETAIL07/307259989/1261>
[44] Alan Baum & Associates, sales data.
[45]Ford. Ford Motor Company's September Sales Post 9 Percent Increase, Paced by Strong Utility and Truck Sales. Press Release October 3, 2011. Sourced at <(http://media.ford.com/article_display.cfm?article_id=35311 >

Association reports.[46] According to Kelly Blue Book, "fuel efficient" used cars in September continue to outperform the market, with values up 5 percent since January while fuel-inefficient vehicles dropped in value about 5 percent.[47]

The used Toyota Prius has come to be one of the hottest cars available – new or used. The National Auto Dealers Association monthly used car guide set the value of a 3-year old used Prius (model year 2008) in September at $3,635 higher than in January (a 21.6 percent increase). On the other hand, if you are willing to pay $100 to fill up your tank, then you are in luck because you can get a bargain on a 3-year old Ford Expedition 4WD XLT. It will cost you $4,000 less than in January (a 14.7 percent drop).

Finally consumer polls consistently rank fuel efficiency at the top of the list of desirable attributes. According to a Consumer Report survey released just last May, 62 percent of consumers expect to choose a model with much better or somewhat better fuel economy and 58 percent willing to pay more for a fuel-efficient vehicle. Furthermore, consumers expect their next car to deliver 29 mpg, a 30 percent increase over the current average of about 22 mpg.[48] A recent Consumer Federation of America survey found that 62 percent of respondents are willing to pay more if the cost of the higher efficiency was paid back in five years through fuel savings.[49]

Stronger Standards and Safer Cars Can Go Hand-in-Hand

With modern materials and current safety design practices, higher fuel-efficiency standards and improved safety can go hand-in-hand. It's simplistic and incorrect to assume that reducing weight will decrease fleet-wide safety. The auto industry has already demonstrated that it can make vehicles that are lighter and are at least as safe, if not safer, than the average vehicle of the same type and weight.

[46] Bunkley, Nick. Used Gas Sipper, Keeping That New Car Value *New York Times*. June 23, 2011. Sourced at < http://www.nytimes.com/2011/06/24/business/24auto.html>
[47] Kelley Blue Book. "Blue Book Market Report". October 2011. Sourced at <http://mediaroom.kbb.com/blue-book-market-report>
[48] ConsumerReports.org. Consumer Reports Survey: Car buyers want better fuel economy and are willing to pay for it. Press Release, May 25, 2011.
[49] Consumer Federation of America. Mark Cooper, Director of Research. Issue Brief: Public Support for a 60 Mile Per Gallon Fuel Economy Standard. September 2010.

According to the National Research Council of the National Academy of Sciences, "Vehicle mass can be reduced without compromising size, crashworthiness, and NVH,..."[50]

There are three key issues that are important to understand:

- First, safety is about *good design* such as high-strength materials and engineering. A wide variation in safety risk exists for individual vehicle models of the same type and weight.
- Second, it's widely accepted that *size matters more than weight.* In recognition of this fact, regulators have adopted standards that are indexed to vehicle size and therefore there is no *regulatory* incentive to downsize to meet comply with stronger fuel economy or CO_2 standards.
- Third, today's auto engineers have the technology and know-how to make vehicles *lighter and just as safer or safer.*

Based U.S. DOE analysis, there is a wide variation in safety risk for individual vehicle models of the same type and weight.[51,52] The DOE analysis shows lighter vehicles can be just as safe, or safer, than a larger, heavier vehicle. According to Tom Wenzel of DOE: "...however, there is still a wide range in casualty risk for individual vehicles of the same type, weight, and footprint. The worst car models can have a casualty risk 50% higher to two times higher than the safest car models, even after accounting for differences in the number of miles driven, driver age and gender, and crash location by vehicle models." For example, the weight of vehicles with the same safety risk of about 260 casualties per crash varies from 3,000 to 4,000 pounds. For car models of the same weight, 3500 pounds, the safety risk varies by 300 percent, from about 100 to over 400 casualties per crash. This difference in safety risk among vehicle models of the same type and weight can be primarily attributed to better vehicle design.

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[50] National Research Council. *Assessment of Fuel Economy Technologies for Light-Duty Vehicles*. National Academies Press. 2011.

[51] Wenzel, Thomas. "Comments on the Joint Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards", Docket No. NHTSA-2009-0059 and EPA-HQ-OAR-2009-0472, Lawrence Berkeley National Laboratory, October 27, 2009. Wenzel, Tom, 2010. *Analysis of the Relationship Between Vehicle Weight/Size and Safety, and Implications for Federal Fuel Economy Regulation*. LBNL-3143E

[52] Note that, although the DOE data do not fully account for the effect of differences in drivers and locations among vehicle models, crashes involving risky young male drivers and frail elderly drivers, and crashes in relatively unsafe rural areas and in relatively safe urban areas, have been excluded to partially account for differences in vehicle drivers and crash locations.

Numerous studies have concluded that size is more important than weight for safety risk.[53,54,55] In recognition of this widely accepted conclusion that size is more important than weight, NHTSA consciously chose to adopt a "size-based" standard over a "weight-based" standard since such an approach addressed their concerns regarding safety impacts of higher standards adopted for light-trucks for model year 2011 and for their proposed passenger car and light truck rule for model years 2011 to 2015.

NHSTA originally adopted the size-based system at the direction of Congress, the Energy Independence and Security Act of 2007, and was given the latitude to choose between a size-, weight-, or other attribute-based system. It is also important to recognize that the EPA and the California Air Resources Board have both conformed the structure of their CO_2 standards to be functionally identical to the NHSTA size-based fuel economy system.

According to NHTSA:

- "... unlike a weight-based function, a footprint-based function helps achieve greater fuel economy/emission reductions *without having a potentially negative impact on safety* and is more difficult to modify than other attributes because it cannot be easily altered outside the design cycle in order to move a vehicle to a point at which it is subject to a lower fuel economy target." [emphasis added][56]
- "... attribute-based standards *eliminate* the incentive for manufacturers to respond to CAFE standards in ways harmful to safety. Because each vehicle has its own target (based on attributes chosen), attribute-based standards provide no incentive to build smaller vehicles

[53] R. M. Van Auken and J. W. Zellner. Dynamic Research, Inc. *An Assessment of the Effects of Vehicle Weight and Size on Fatality Risk in 1985 to 1998 Model Year Passenger Cars and1985 to 1997 Model Year Light Trucks and Vans.* SAE International (2004)
[54] R. M. Van Auken and J. W. Zellner. Dynamic Research, Inc. *A Further Assessment of the Effects of Vehicle Weight and Size Parameters on Fatality Risk in Model Year 1985-98 Passenger Cars and 1985-97 Light Trucks.* (January 2003)
[55] R. M. Van Auken and J. W. Zellner. Dynamic Research, Inc. *Updated Analysis of the Effects of Passenger Vehicles Size and Weight on Safety.* (February 25, 2011)
[56] DOT. "Average Fuel Economy Standards Passenger Vehicles and Light Truck Model Year 2011 (Final Rule)." Federal Register 74:59. March 30. 2009. p. 14358.

simply to meet a fleet-wide average, because the smaller vehicles will be subject to more stringent fuel economy and emission targets." [emphasis added][57]

Automakers clearly have technologies at their disposal to reduce weight and increase fuel economy, without reducing size. There is a variety of technologies to raise fuel economy without affecting weight (e.g., turbocharged gasoline direct engines) or reduce weight without affecting size (lighter body constructions, including using lighter weight, high strength steel).[58] One of the best examples is the next generation iconic SUV, the Ford Explorer. Keeping size essentially the same, Ford has taken out 150 pounds of weight from its next generation, by moving to a car-like chassis and lighter weight materials. And with an Ecoboost engine, the vehicle is 20 to 30 percent more fuel-efficient, with no compromises in safety. Drivers can expect more of this type of innovation from other automakers as a result of the National Program.

As shown in Figure 5 from DOE, even with vehicles of similar size, the use of high-strength materials and current safety design approaches can greatly improve safety. As summarized in a white paper by Professor Marc Ross of the University of Michigan and Tom Wenzel of DOE, several studies found that reducing weight without changing size can save lives.[59] Figure 5 shows that the model year 2005 Toyota Corolla, Honda Civic, and Toyota Matrix have the same safety risk as the Dodge Neon, but weigh 5 to 15 percent less. The difference is greater use of high-strength materials and better design.

Finally, Figure 6, also from DOE, shows that car-based "Crossover Utility Vehicles" (CUVs) have much lower safety risk than truck-based SUVs and of similar size. Crossovers use lighter-weight unibody construction, which also has safety advantages over truck-based SUV body-on-frame designs, including a lower center of gravity that reduces their propensity to roll over, and less rigid frames and lower

[57] DOT. "Average Fuel Economy Standards, Passenger Cars and Light Trucks; Model Years 2011-2015 (Proposed Rule)." Federal Register 74: 86. May 2, 2008. p. 24388.
[58] Deborah Gordon, David L. Greene, Marc H. Ross, Tom P. Wenzel. ICCT. *Sipping Fuel and Saving Lives: Increasing Fuel Economy Without Sacrificing Safety.* (2007)
[59] Tom Wenzel and M. Ross, *Increasing the Safety and Fuel Economy of New Light-Duty Vehicles*, Lawrence Berkeley National Laboratory, September 18, 2006, LBNL-60449.

bumpers that make them less dangerous to the cars they collide with. Many drivers may be unaware that besides smaller crossovers like the Ford Escape, Honda CRV and the Toyota RAV-4, many of the most popular mid-size "SUVs" are now "CUVs", including the 2012 Ford Explorer and Dodge Durango. Crossover vehicles now outsell traditional truck-based SUVs by a factor of almost four to one.

According to Mr. Wenzel of DOE, "there is strong evidence that weight can be reduced while maintaining size and at least maintaining, if not increasing, occupant safety...Crossovers with the same footprint have about 10% lower mass, and substantially lower risk, than truck-based SUVs..."[60]

Heavy-Duty Truck National Program: Another Clean Air Act Success Story

The 2014 to 2018 Heavy-Duty National Program for CO_2 and fuel economy standards is another example of how well the partnership between NHSTA, EPA and the state of California has worked to deliver fuel saving and pollution reductions in a process that enjoys support from industry and environmentalists. The Heavy-Duty National Program has been developed with input and support from engine and vehicle manufacturers, truck fleets operators, the State of California, and environmental stakeholders. The long list of industry supporters includes the American Trucking Association, Con-way Inc., Cummins Inc., Eaton Corporation, Fedex Corporation, the Truck & Engine Manufacturers, Wabash National Corporation, and Waste Management Inc.

The agencies estimate that the combined standards will reduce CO_2 emissions by about 270 million metric tons and save about 530 million barrels of oil over the life of vehicles built for the 2014 to 2018 model years. The reduced fuel use will save truck drivers $42 billion, even after considering technology costs.[61]

Operators of long-haul trucks, the largest category affected by the new program, will see an enormous net lifetime cost savings, after considering the additional technology costs, of $73,000 with a

[60] Wenzel, "Comments on the Joint Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards", Docket No. NHTSA-2009-0059 and EPA-HQ-OAR-2009-0472, Lawrence Berkeley National Laboratory, October 27, 2009.
[61] EPA "EPA and NHTSA Adopt First-Ever Program to Reduce Greenhouse Gas Emissions and Improve Fuel Efficiency of Medium- and Heavy-Duty Vehicles", Factsheet, EPA-420-F-11-031, August 2011.

payback period time of less than two years.[62] Owners of other trucks types, vocational, heavy-duty pickups and vans, will similarly accrue net fuel savings benefits with payback times of two to four years. As with drivers of more fuel-efficient cars, truck owners who finance the purchase of their vehicle will see monthly savings accrue immediately, since the fuel savings costs will offset the additional monthly vehicle payment costs.[63]

Conclusion

Chairman Jordan, Ranking Member Kucinich, and members of the subcommittee, the Clean Car and Truck National Programs are examples of government at its best. The results speak for themselves. The programs will deliver over a trillion dollars in fuel savings, cut our dependency on imported oil by roughly a third, and take a major step towards averting dangerous global warming. The latest agreement enjoys a virtually unprecedented depth and breadth of support, from automakers to environmentalists, Republicans to Democrats, consumer advocates to energy security advocates, business leaders to labor unions.

Upsetting this important program would only raise drivers' fuel bills, increase dangerous pollution, and make us more dependent on imported oil. Upsetting the National Program would deprive the auto industry of the certainty it needs to make the long term technology investments it needs to be competitive in a global market, and deprive our economy of hundreds of billions of dollars that could be invested to strengthen our manufacturing base. In view of its overwhelming benefits and overwhelming support, if anything, Congress should be urging the agencies to implement this important program sooner rather than later. Thank you for your attention, and I welcome your questions.

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[62] EPA and NHTSA, "Greenhouse Gas Emissions Standards and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles", Final Rule, 76 FR 57106.

[63] National Wildlife Federation, "Trucks that Work: How new fuel efficiency and greenhouse gas standards will deliver better, cleaner, cheaper-to-operate trucks – and why it matters for truck owners, wildlife and the U.S. economy", 2011.

FIGURES

Figure 1: 2030 Fuel Savings "Rebate" Equal $330 per Household
Source: UCS and NRDC. "Saving Money at the Gas Pump: State-by-State Consumer Savings from Stronger Fuel Efficiency and Carbon Pollution Standards". September 2011.)

Table 1: Annual Consumer Savings of Proposed 2017-2025 Standards on Transportation Fuel Bills in 2030, by State and Household

State	Fuel Savings (million gallons)	Total State Fuel Bill Net Savings (2 millions)	Fuel Bill Net Savings per Household	Carbon Pollution Reductions (Thousands of metric tons CO_2-e)
Alabama	366	$737	$387	4,335
Alaska	52	$96	$312	610
Arizona	730	$1,536	$387	8,675
Arkansas	285	$535	$423	3,050
California	2,668	$4,954	$314	31,565
Colorado	412	$828	$370	4,880
Connecticut	239	$457	$324	2,825
Delaware	71	$139	$366	840
District of Columbia	35	$70	$374	410
Florida	2,098	$4,223	$371	24,835
Georgia	814	$1,607	$364	9,635
Hawaii	83	$153	$310	975
Idaho	132	$270	$376	1,560
Illinois	759	$1,190	$240	8,985
Indiana	400	$631	$241	4,730
Iowa	198	$351	$302	2,360
Kansas	195	$356	$314	2,305
Kentucky	345	$705	$390	4,080
Louisiana	363	$736	$413	4,300
Maine	97	$159	$326	1,145
Maryland	484	$960	$365	5,730
Massachusetts	457	$881	$327	5,405
Michigan	622	$976	$240	7,365
Minnesota	417	$707	$318	4,940
Mississippi	219	$451	$306	2,590
Missouri	430	$793	$314	5,100
Montana	77	$152	$368	905
Nebraska	122	$219	$309	1,440
Nevada	287	$629	$391	3,395
New Hampshire	107	$210	$302	1,265
New Jersey	504	$727	$264	5,960
New Mexico	145	$293	$377	1,710
New York	1,022	$1,485	$205	12,085
North Carolina	877	$1,768	$372	10,385
North Dakota	42	$74	$303	490
Ohio	691	$1,058	$234	8,180
Oklahoma	311	$635	$417	3,675
Oregon	319	$605	$321	3,770
Pennsylvania	704	$991	$200	8,290
Rhode Island	76	$148	$330	900
South Carolina	363	$718	$368	4,295
South Dakota	52	$94	$307	625
Tennessee	557	$1,143	$398	6,595
Texas	2,411	$5,024	$429	28,550
Utah	202	$408	$373	2,390
Vermont	48	$92	$326	560
Virginia	691	$1,366	$365	8,180
Washington	562	$1,000	$319	6,655
West Virginia	129	$253	$361	1,525
Wisconsin	365	$571	$239	4,320
Wyoming	38	$73	$358	445
U.S. Aggregate	23,660	$44,384	$330	280,000

Figure 2: 150,000 Jobs, 300 Facilities in 43 States and DC in Clean, Fuel Efficient Vehicle Supply Base
Source: Natural Resources Defense Council, National Wildlife Federation, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). *Supplying Ingenuity U.S. Suppliers of Clean, Fuel-Efficient Vehicle Technologies.* August 2011.

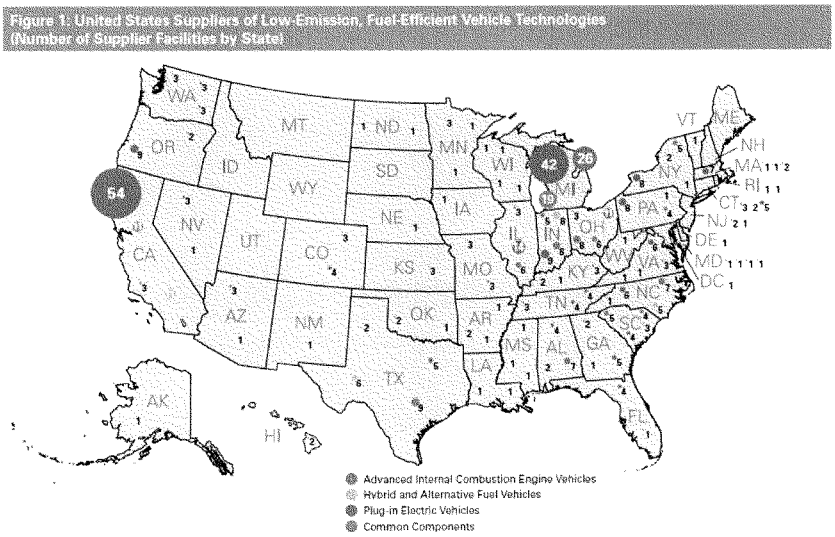


Table 1: Top 15 States Currently Employing the Highest Number of Autoworkers in Clean, Efficient Technologies

State	Facilities	Employment
Michigan	97	38,067
Ohio	28	13,753
Indiana	30	11,819
Kentucky	6	9,775
Pennsylvania	13	8,662
Texas	22	8,558
Alabama	13	8,285
California	79	7,422
South Carolina	16	6,934
North Carolina	19	5,928
Tennessee	11	5,393
New York	16	5,339
Illinois	23	4,715
Virginia	11	2,373
Arizona	4	1,765
Other States	116	12,380
Total	**504**	**151,168**

Figure 3: Average Fuel Economy of New Light-duty Vehicles Has Steadily Increased Since 2005
Source: EPA. *Light-Duty Technology, Carbon Dioxide Emissions and Fuel Economy: 1975 Through 2010*. EPA-420-S-10-00. November 2010.

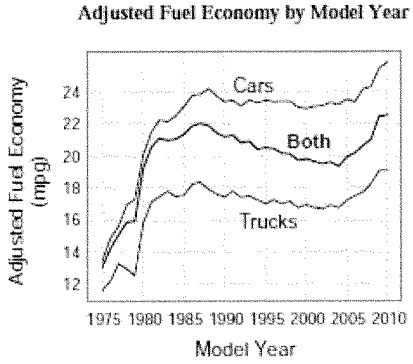


Figure 4: Demand for Fuel-efficient Vehicles Remaining Strong in 2011
Source: University of Michigan Transportation Research Institute, "Eco-Driving Index: Average sales-weighted fuel economy of purchased new vehicles for October 2007 through September 2011", http://www.umich.edu/~umtriswt/EDI_sales-weighted-mpg.html

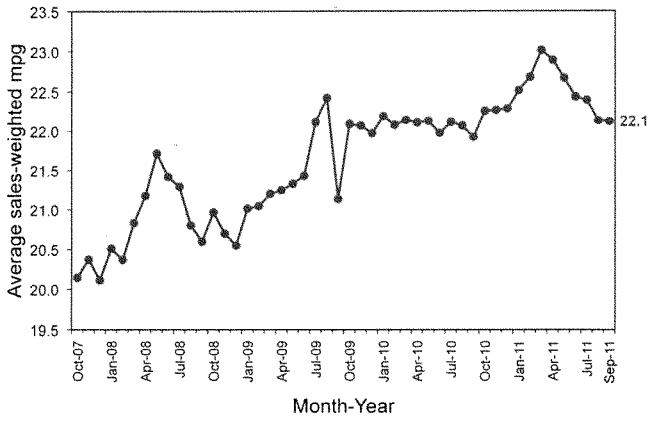


Figure 5: Design Matters, Compact Cars of Similar Size and Weight have Very Different Safety Risks

Source: Wenzel, Thomas. "Comments on the Joint Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards", Docket No. NHTSA-2009-0059 and EPA-HQ-OAR-2009-0472, Lawrence Berkeley National Laboratory, October 27, 2009.

Figure 5. Example of effect of design on casualty risk to drivers (from Figure 1)

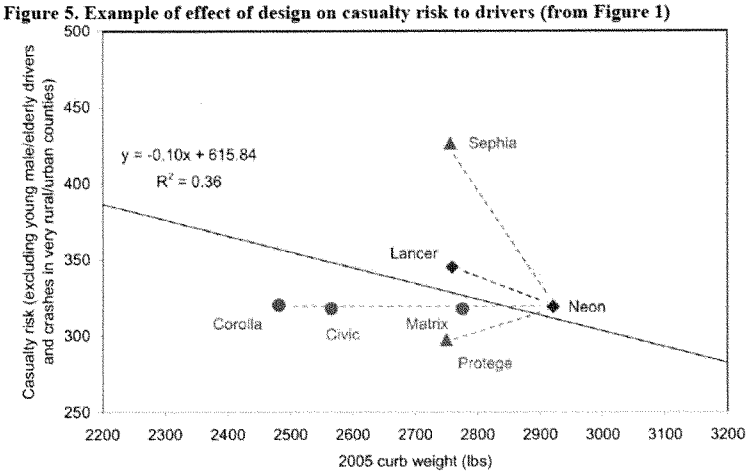


Figure 6: Safety by Design, Car-based Crossovers Have Much Lower Safety Risk than Similar Sized Truck-based SUVs

Source: Wenzel, Thomas. "Comments on the Joint Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards", Docket No. NHTSA-2009-0059 and EPA-HQ-OAR-2009-0472, Lawrence Berkeley National Laboratory, October 27, 2009.

Table 1. Comparison of footprint, curb weight and fatality risk, for model year 2003 to 2007 SUVs and crossover SUVs

Item	Compact SUV	Midsize SUV	Compact Crossover SUV	Midsize Crossover SUV
Footprint (sq ft)*	42	49	43	49
Curb weight (lbs)*	3672	4500	3359 (-313)	4081 (-419)
Casualty risk to drivers	69 ± 9	63 ± 4	44 ± 4 (-36%)	32 ± 3 (-49%)
Casualty risk to others	52 ± 8	59 ± 4	36 ± 4 (-31%)	37 ± 4 (-37%)

* Sales-weighted averages for MY05 models

Mr. JORDAN. Thank you, Mr. Hwang.
Mr. Grenerth, you are recognized for 5 minutes.

STATEMENT OF SCOTT GRENERTH

Mr. GRENERTH. Thank you. Good morning, Chairman Jordan, Ranking Member Cummings, and members of the subcommittee. Thank you for inviting me here to testify.

My name is Scott Grenerth. I have been a professional truck driver for more than 10 years and proud to hail from Chairman Jordan's home district. I am here on behalf of the Owner-Operator Independent Drivers Association.

OOIDA's approximately 150,000 members are small business professional truckers in all 50 States. I am here to talk about how the EPA and NHTSA heavy truck duty greenhouse gas and fuel efficiency rule will impact small trucking operations such as mine, particularly during a time when most small business truckers are fighting to stay afloat.

While trucking is my career, environmental stewardship is my life's passion. Before trucking, I worked for many years in environmental education. My wife and I were married on Earth Day in 1995 and we both took the name Grenerth to mark our commitment to the planet. So you might assume that I support the heavy-duty truck rule. However, I am strongly opposed to this one-size-fits-all regulation and the mandates it places on trucking.

Compared to large trucking companies, small business truckers and owner-operators have a very different reality when it comes to fuel efficiency. Simply put, with diesel at close to $4 a gallon, if I do not drive in a fuel-efficient manner, I will be driving myself out of business.

Considering that small businesses are the vast majority of trucking companies, it is hard to understand why the agencies chose not to tap into the collective knowledge of truckers like me on how to improve fuel efficiency. They did not speak to a single truck driver, apparently taking the attitude that truck drivers will never improve fuel economy without regulation. This view was eagerly supported by large motor carriers, who all too often do turn to the Government to diminish competition from smaller carriers.

The resulting rule mandates add-ons and truck specifications that work for large motor carrier operations, even though trucking has hundreds of thousands of different operating models. Despite EPA's claims, this will add new costs to small business truckers, negatively impacting operations, and could lead to reduced efficiency for some.

For example, a colleague hauls fresh produce in a refrigerator box trailer for most of the year, but for a few months he pulls a flatbed trailer. His tractor has a roof fairing that improves fuel efficiency while he is hauling produce. When he is not using his box trailer, he removes the fairing because it actually decreases fuel efficiency with his flatbed operation. Under this new rule, removing the fairing and improving fuel efficiency this way will be a violation of Federal law.

Truckers inspect their trucks from bumper to bumper, making sure that everything meets the needs of their business. However, truck manufacturers have stated that this rule will reduce oper-

ations to truckers. This puts us in a tough position: buy the wrong truck for my operation or buy the right truck and pay a $37,000 EPA penalty.

Truckers are also forced to purchase equipment they don't need or want under this rule. Take heavy haul operations that move loads like Army tanks and massive construction equipment. There is no way the aerodynamics of their truck will improve efficiency, but they will be forced to pay for mandated add-ons anyway. Low rolling resistance tires which reduce traction are also a significant part of this rule. Am I expected to only drive on dry and clear roads? EPA estimates all this will add another $6,000 to the price of a truck; this on top of the $20,000 to $30,000 their previous engine emissions rules added.

And that is the crazy thing about this new rule. EPA sees truckers as the reason fuel economy is down. But, in reality, they should look at themselves. The technology required under the former rules has significantly reduced fuel economy, forcing truckers to buy around 800 gallons more fuel every year. Think about how much more oil has to be refined directly because of EPA emission standards mandates.

These past rules cost truckers in other ways. New trucks break down more often, costing drivers more money. Further, OOIDA has learned that truck manufacturers are charging big dollars for once low-cost warranties and instituting EPA surcharges that add another $20,000 to the price of a truck. Instead of a costly one-size-fits-all rule, EPA and NHTSA could have offered a compliance alternative focused on improved driver training to operate any truck one driver drives as efficiently as possible. Yet, they ignored that significant recommendation from the National Academy of Sciences in lieu of a rule that unquestionably will fail to achieve purported goals.

Chairman Jordan and members of the subcommittee, OOIDA supports improved efficiency and lower emissions, but there must be recognition of the costs they entail and the fact that trucking is a diverse industry. Small business truckers are inherently focused on maximizing fuel efficiency because our business success depends upon it. Pure economics tells you that trucking is going to take advantage of every opportunity to improve fuel efficiency based on their operating needs and without Government mandates.

Thank you for the opportunity to testify and I welcome your questions.

[The prepared statement of Mr. Grenerth follows:]

Good morning Chairman Jordan, Ranking Member Kucinich, and members of the Subcommittee. Thank you for inviting me to testify on matters that are extremely important to our nation's small business trucking professionals and professional truck drivers.

My name is Scott Grenerth. I am a constituent of Chairman Jordan's and live in Arlington, Ohio. I am a member of the Owner-Operator Independent Drivers Association (OOIDA), and have been a professional truck driver for more than 10 years. I own my own truck and am currently leased on to a motor carrier, where I pull a flatbed trailer hauling steel and aluminum products throughout the Mid-West.

As you are most likely aware, OOIDA is the national trade association representing the interests of independent owner-operators and professional drivers on all issues that affect small-business truckers. The approximately 150,000 members of OOIDA are small-business men and women in all 50 states who collectively own and operate more than 200,000 individual heavy-duty trucks.

The majority of the trucking community in this country is made up of small businesses, as 96 percent of all carriers have 20 or fewer trucks in their fleet and 78 percent of carriers have fleets of just six or fewer trucks. In fact, one-truck motor carriers represent nearly half of the total number of motor carriers operating in the United States.

I have been asked to come here today to speak on behalf of OOIDA and my fellow professional drivers about the impact that recently finalized greenhouse gas and fuel efficiency regulations on heavy-duty trucks will have on our industry.

Before discussing the regulations specifically, I want to tell the Subcommittee a little bit about my background and approach to the important work of driving a truck. While trucking is my career and a huge part of my life, the main passion of mine is the environment. In fact, I am glad this hearing is today and not later in the week, as my wife and I will be teaching an environmental education class back home starting tomorrow.

Before becoming a professional truck driver, I went to school for environmental education. That is where I met my wife. We were married in 1995 on Earth Day. That is also the day we both took the name "Grenerth." This passion for and attention to the environment extends into my job as a trucker. I firmly believe that truckers can and should be good stewards of the Earth's resources and can operate their trucks and their businesses in an environmentally responsible manner. We have to, because our business survival depends on it.

Given my strong feelings about the need to be good stewards of the Earth's resources, you might assume that I am a supporter of the heavy-duty truck fuel efficiency and greenhouse gas rule (the "Heavy-Duty Truck Rule") recently issued by the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA). In reality, I am strongly opposed to these one-size-fits-all regulations and the associated mandates they place upon trucking.

While well intentioned and focused on important goals, the process used by EPA and NHTSA to develop these rules was extremely flawed. It excluded input from small-business trucking about how best to address fuel efficiency in an industry that is as varied as the American economy. It ignored investments in clean air made by trucking under previous EPA rules. It failed to fully examine the benefits of less expensive and likely more effective options that could have an almost immediate impact.

This process resulted in a rule that will have significant negative consequences on truckers, especially small business truckers. Ultimately it will increase new truck costs for small business truckers for little or no net environmental gain or improvement in fuel economy. It will reduce market choice for much of the small business trucking community which relies on being able to work with a truck dealer to build a truck that exactly meets their needs from the ground up. These increases in price and reductions in market choice will, in my opinion, result in environmental gains well below the estimates used by EPA and NHTSA to economically justify these rules.

Why Small Business Truckers Care About Fuel Use

We in trucking often read about how a major motor carrier has taken some new step to reduce fuel usage in their operations. They may have joined EPA's SmartWay program, activated the speed limiters on all of their fleet's trucks, or invested in equipment like Auxiliary Power Units or trailer side skirting. Yes, these companies have major fuel bills and are certainly making what they feel is a smart business decision. However, small-business truckers like myself laugh at the expansive press coverage given to these actions. While a high fuel bill for one of the mega-carriers may have an impact on their stock price for a quarter, the impact of a high fuel bill for us cuts far closer to home.

Disagreeing with the EPA runs the risk of being labeled a "misleading agitator" from EPA Administrator Lisa Jackson as she was quoted referencing those at odds with EPA in an article this past weekend in the *Kansas City Star*. Small business truckers and owner-operators have a very different reality than those faced by their large counterparts and yet the agency was condescending towards us in this rulemaking not understanding why all the certified SmartWay technologies were not being adopted en-mass by truck operators. Had the agencies made efforts to be more transparent and reach out to the small business community when developing this rule, perhaps the regulation would have been better crafted with more positive results for the environment.

Fuel is our number one expense, and we focus on monitoring it like the proverbial hawk. That goes beyond simply paying attention to which truck stops have the best prices on fuel to include a great deal of attention to our driving habits, and in some cases some pretty sophisticated analysis of what our truck's fuel efficiency is, why it is that way, and how we as the driver can make it better.

Putting fuel expenses into perspective can help you understand why truckers focus on it so much. As I noted above, it is our number one expense as small businessmen and women. Trucking is extremely sensitive to the price impact of fuel. Every time we fill

up the fuel tanks on our trucks, the bill runs an average of $750 based on 200 gallons. Every time the price of a gallon of diesel fuel increases by a nickel, our annual costs increase by about $1,000.

Unlike the major motor carriers, small business truckers like myself see the impact of fuel use in our personal pocket books. Drive in a way that uses too much fuel, and it will be a guarantee that you are driving yourself out of business. Drive in a way that is smart about fuel usage, meaning that you look beyond just finding the best speed to matching your gearing and other settings to the load you are hauling and the terrain you are driving across, and you will see success in trucking.

Business and Operating Diversity in the Trucking Industry

Heavy-duty trucks like the one I drive haul 70 percent of our nation's freight. Without trucks, our economy just does not move, as trucking supports businesses of all sizes. Because of its importance to our nation's economy, trucking reflects its diversity. This is especially true for small business truckers and owner-operators who operate significantly different business models than the major motor carriers and package delivery companies that are often seen by many as the face of the trucking industry.

Allow me to use my experience as a driver as an example. Early on, I hauled heavy loads almost exclusively; while during my time with a regional carrier we hauled very light loads. When I worked for a private fleet before becoming an owner-operator, we had more than ten different types of trailers, each matched to meet the needs of a specific product. I have even had to deliver equipment to farms out on the farm field. Because of this diversity of operations, while some of the mandated technologies under the Heavy-Duty Truck Rule may be beneficial in one aspect of my trucking, they may work against me in other aspects. And I am not alone.

Things get even more interesting for an owner-operator who finds his or her own freight. Experienced drivers know that there is significant money to be made in heavy-haul permitted loads, moving equipment like the Army's Bradley Fighting Vehicle, massive road construction equipment, or huge cracking tanks for refineries. All of this requires specialized equipment, but it is also even more competitive than the rest of the trucking industry, so sometimes a heavy-haul owner-operator must improvise to get a load. That truck is expensive to leave sitting or dead-head countless miles, so they need to find something to move, so maybe they find a dry van of televisions that needs to be moved from a port to a big box store's distribution center or they haul a load of pipe on a flatbed out of a small plant 70 miles from the Interstate. In either case, some of the mandated technologies will not achieve their stated goal and instead serve as hindrances to this trucker's operation.

I highlight this because the world of trucking is much different for my fellow small-business and owner-operator truckers than it is for the major motor carriers. While they may have lots of trucks, for most companies they move the same thing, a 53-foot dry van trailer on the same traffic lanes.

These differences in business and operations are huge, because they have a direct impact on how regulations impact the two different segments of the trucking industry. Major motor carriers buy cookie cutter tractors that are built to pull a dry van trailer efficiently on four-lane, limited access highways. For instance, many large motor carriers do not send their trucks across the Rocky Mountains, instead transferring their cargo to intermodal-rail services (this also helps them avoid the California Air Resources Board's new greenhouse gas regulations that exempt intermodal equipment). Owner-operators and small fleets, on the other hand, need a truck that can operate under significantly more varied operating environments. They do not spend money that is not going to improve their operations and help them save or make money. The new Heavy-Duty Truck Rule, as I will discuss, fails to recognize this difference, adding new costs and negatively impacting how small business truckers operate.

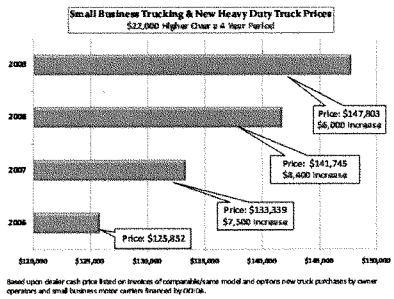
Past EPA Regulations Impacting Heavy-Duty Trucks and the Trucking Industry

Before getting into the specifics of the recent EPA/NHTSA Heavy-Duty Truck Rule, it is important to do a quick history of previous EPA regulations that cover heavy-duty trucks and their impact on the trucking industry.

Over the past decade and a half, the EPA issued several regulations covering emissions from the diesel engines used in heavy-duty trucks. These regulations were focused on reducing emissions of particulate matter (PM) and nitrogen oxides (NO_X). A short summary of the most recent EPA diesel regulations and what emissions-control technology they required is found in the table below:

Impacted New Engine Model Year	*Focus of Emissions Control*	*Required Equipment*
2004 and future	NO_x reduction	Exhaust Gas Recirculation (EGR) technology
2007 and future	90% reduction in PM	PM filters Emissions control equipment necessitated transition to ultra-low sulfur diesel fuel (ULSD)
2010 and future	90% reduction of NO_x from 2004 standards	NO_x control equipment (Selective Catalytic Reduction & EGR technology)

As you can see, these standards were extremely aggressive and required the addition of significant new equipment to trucks, some of which had not even been fully developed by the time EPA issued the standards. Despite this fact, and the calls of caution from OOIDA and others within the trucking industry as well as the engine manufacturers, EPA went forward with these rules under the estimate that they would only add minimal cost to a new truck – around $1,800 to $2,000.



Truckers quickly found out that their hunch that the new regulations would significantly increase the price of new trucks was spot on. A truck that used to cost a little over $100,000 before the 2007 regulation now costs at least $20,000 more. According to truck manufacturers, this price increase is directly tied to the cost of developing and providing the EPA-mandated emissions control equipment.

There are many other ways that the regulations drive up the cost to buy and operate a new truck. The mandated emissions equipment has been found to significantly decrease the reliability of the truck engine, meaning that the truck is spending time in the repair shop instead of out on the road making money. Last Monday, I was speaking to one of the head mechanics at a repair shop I frequent about the two types of NO_X control technologies required under the rules. The mechanic said that it was his experience these requirements cause the engine oil to have higher acid levels, which means more frequent oil changes while also increasing wear on the engine, leading to more frequent breakdowns. OOIDA knows of many small business truckers who are on the verge of bankruptcy right now because of breakdowns directly related to EPA-mandated technology kept their truck out of work.

Because truck and engine manufacturers have to conduct significantly more repairs on new trucks, the warranties that were formerly added for free or very little cost as an enticement to make a sale now need to be paid for at full price. This adds an additional $10,000 or more to the price of a new truck. Additionally, OOIDA recently found out that truck manufacturers are regularly charging non-discountable "EPA Surcharges" upwards of $9,000 that are not discountable. For more information about these cost increases, see the highlighted portion of the attached purchase order.

The added cost from these rules that has the most impact on truckers, and is the most important to the new heavy-duty truck rule, is the impact that the mandated equipment, has had on heavy-duty truck fuel economy. The first strike against truck fuel economy was the court settlement that EPA and engine manufacturers agreed to in 1998. This action resulted from manufacturers having programs on engines that specifically operated them in a more fuel efficient mode during steady highway driving. EPA considered this mode, since the alleged it produced higher NO_X, an illegal emission defeat device, and forced manufacturers to pay a significant penalty and disable the fuel efficient mode.

Further reduction in fuel mileage occurred under the 2007 rule. The EPA anticipated this impact to fuel economy when it developed the rule, yet it was explained away by the agency during the Regulatory Impact Analysis. Unfortunately, the reality is that these new technologies are burning more fuel and have so reduced fuel mileage that truckers who are driving a new truck are forced to buy around 800 gallons more fuel per year

according to real-world data obtained by OOIDA, increasing the cost of doing business by another $3,000 a year at current diesel prices.

The trucker in me cringes at that amount, and the environmentalist in me cringes at the thought of how many other pollutants were emitted to refine the oil to make that extra 800 gallons per new truck per year. The 2004, 2007, and 2010 EPA diesel engine regulations accomplished great things toward cleaning up diesel emissions, but their cost, both in dollars and in reduced fuel mileage have to be taken into account.

Another result of these impacts is that the small business trucking community is turning away from buying new trucks. For years, around 50 percent of OOIDA's membership considered buying a brand new truck to replace their current truck. Since the 2007 regulations were issued, that number has been cut in half. I certainly would not even think about buying a new truck today. The unreliability and reduction in fuel mileage, combined with the excessively high maintenance costs, make it a much better business decision for me to keep and rebuild my current equipment.

Unbelievably, EPA has a double standard for U.S.-based trucking. Small business truckers are being forced to purchase even more expensive trucks under the guise of emissions reduction, while EPA not only ignores, but also signed off on an Environmental Impact Assessment for Mexico domiciled motor carriers wanting to operate in the U.S. that do not need to meet these same standards. EPA brazenly states there is no environmental impact from trucks entering the country using fuel containing 500 parts-per-million (ppm) of sulfur versus the mandatory fuel U.S. truckers must use containing 15 ppm of sulfur. Additionally, none of the trucks entering the U.S. from Mexico will come with the additional EPA emissions requirements from the last decade.

The 2011 Heavy-Duty Truck Rule – A Flawed Process

As part of its greenhouse gas regulatory effort as well as the President's May 21, 2010 memorandum regarding fuel efficiency standards, and Congressional direction from the 2007 Energy Bill, in late 2010 the EPA and NHTSA issued a proposed rule designed to set greenhouse gas emissions and fuel efficiency standards for medium- and heavy-duty trucks.

There are significant similarities between the process EPA used to develop the heavy-duty truck rule and the process it used to develop its recent automobile emissions standards. The EPA, NHTSA, the California Air Resources Board, truck engine manufacturers, truck manufacturers, and big business manufacturers developed the standards. While this might sound like a positive approach to rule making, in an industry like trucking that is dominated by small businesses, it means that the majority of the folks who would end up buying and driving the trucks were locked out of the process.

Instead of reaching out to real truckers and learning about how the industry actually works and what drivers are doing now to improve fuel mileage (even in the face of fuel burning EPA rules), the EPA and NHTSA decided the best approach would be to rely on the input of a few large corporations and their representatives. This occurred despite

direction from the President's May 21 Memorandum to "seek input from all stakeholders."

As a trucker, knowing that the agencies did not consult with a single truck driver is extremely disheartening. We are experts in what we do, with countless OOIDA members having millions of safe and efficient miles on the road. Our business model demands that we pay attention to the fuel efficiency of our trucks and work to make it as high as it possibly can go. We know how the industry works not from computer calculations and data runs, but from our time and experience on the road. It is especially disheartening when I learn that OOIDA went to EPA and NHTSA and asked them to take advantage of the knowledge held by its membership as it developed its rulemaking, but instead, the agencies focused their outreach and engagement only on large trucking companies that were active participants in EPA's SmartWay Program.

What EPA and NHTSA would have heard from professional truck drivers like me is that practicing fuel efficient driving practices lead to significant fuel efficiency gains. This is a reality that is backed up by scientific study. A 2002 study by Deierlein stated "[the] most important fuel economy variable was the driver, who controls the idle time, vehicle speed, brake use, etc. The difference between a 'good' and a 'bad' driver can be up to 35% in fuel efficiency."

Further endorsement of driver training can be found in the 2010 National Academy of Sciences study, "Technologies and Approaches to Reducing the Fuel Consumption of Medium- and Heavy-Duty Vehicles," which was mandated by Congress and according to EPA formed the basis for much of their regulation. The NAS study says that driver training can "offer potential fuel savings for the trucking sector that rival the savings available from technology adoption." It goes on to say that "any government action taken to reduce fuel consumption in the trucking sector should consider [driver training]."

As someone who is out on the road and knows firsthand the important role that training and understanding how best to operate one's vehicle plays in improving fuel efficiency, it is frustrating to learn that EPA and NHTSA quickly dismissed the potential of driver training. According to their own cost information collected by the agencies for the rule making, driver training for one driver costs $139, well below the costs of the technology add-ons and mandates required under this rule. Further, training is something that could be underway and have an impact almost immediately, instead of years from now when trucks meeting the EPA standards will be released and purchased. Unfortunately, despite calls from OOIDA and others, this less costly and more effective option was ignored during the rulemaking.

In addition to the importance of driver training, professional truck drivers would have told the agencies that any new emissions or efficiency regulation on trucks has to take into consideration the impact of the past decade's EPA regulations that I discussed earlier. Not only have they led to what is basically an EPA-mandated $30,000 price increase on trucks, but the technology they required has significant impacts on our operations as truckers. There has to be some level of consideration or at least recognition

of the impact these regulations had on trucking. Unfortunately, you will not even find a mention of these rules in either the regulation or the Regulatory Impact Analysis. To EPA, it's like they never even happened.

The 2011 Heavy-Duty Truck Rule: Bad Results for Small Business Trucking

With such a flawed process, it's not hard to recognize that the results of the Heavy-Duty Truck Rule were bad for trucking, especially small business trucking. Instead of a rule that reflects the varied nature of the trucking industry, the EPA and NHTSA developed a regulation that is a prime example of a one-size-fits-all rulemaking. Now, truck purchasers will be forced by the agencies to use EPA-approved tires and to install costly aerodynamic devices on their trucks, even if they provide them with no benefit in their operations.

Unlike previous regulations, the Heavy-Duty Truck Rule regulates both the truck engine and the truck itself. Engine and truck manufacturers, who in the past had built trucks from the ground up to meet the specific needs of the truck buyer, will now have to satisfy EPA and NHTSA standards first, focusing on the needs of truck purchasers last. This will lead to reduced option choices, which will have a significant impact on the business operations of small business truckers.

Under the regulation, technologies such as air fairings, low rolling resistant tires, automatic engine shut-down, arbitrary speed limiter setting at 62 mph and even anti-idle technology such as an Auxiliary Power Unit would become mandatory – whole or in part. For heavy-haul operations each of these technologies individually or in combination would either be impractical, unsafe, and/or counter-intuitive to efficient operations. The size and weights carried by these operators will only mean they have to order new trucks with the added expense for absolutely no improvement in fuel economy thus no way to recoup the additional cost for the new truck. Adding insult to injury, it would be illegal for them to remove any of the technologies installed by the OEM.

These technologies certainly have an impact on improving fuel efficiency for trucks operated under the large motor carrier business model of pulling a standard dry van trailer along the Interstate. This is the model of trucking that EPA and NHTSA based so much of the estimates and testing for their rules, but instead of focusing on the potential of these technologies for certain operations, the regulation mandates them for all operations. This is a prime case where the big business model of trucking used by large motor carriers influenced and directed this rulemaking, at the expense of small business truckers who operate under a vastly different business model.

The big area where these new regulations will have an impact on small business and owner-operator trucking is in EPA and NHTSA's new regulation of the truck itself. I talked earlier about how we really focus on getting everything right when we purchase a new truck, making sure the right engine is matched with the right transmission, etc. Things got more difficult after the 2004, 2007, and 2010 EPA emissions regulations, but trucking still figured out how to make it work. Now that regulations have expanded to cover the entire truck, that ability to get everything just right just got a lot harder.

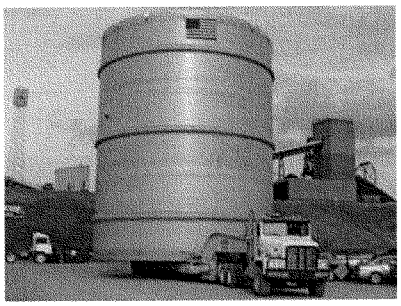
It's not just truckers who are saying it, but it is truck and engine manufacturers as well. Presentations from them discussing the regulations talk about "streamlined option choices" and say that the new regulations "may limit availability of certain truck/engine/feature combinations." A well-known writer and commenter on truck engineering wrote after the Heavy-Duty Truck Rule was issued that EPA and NHTSA's goals were impossible to achieve "unless you limit the truck maker's model lineup, squeeze the buyer's spec'ing choices, and in some cases, maybe many, force the [purchase of the] wrong truck to do the job."

How will this happen? Well, first the new rules take away the free reign that truck purchasers and truck manufacturers once had to design a truck from the ground up and force them to build trucks that fit narrow specifications written into law by the new regulation. If the government specs do not work for what a truck purchaser needs, the rules pretty much say "too bad, make do with what we give you as an option" – or pay a stunning $37,000 penalty to EPA for any deviation.

Heavy-duty trucks will now have to fit within one of seven standard and regulated configurations. Each of these configurations will have associated emissions targets that need to be met through certain engine, transmission, and drivetrain combinations, as well as by adding various technologies, such as EPA-approved tires, idle reduction timers, and aerodynamic features. Again, in some operations, these technologies will have an impact on reducing fuel mileage, but on many operations, especially the specialized hauling that many owner-operators focus on, these amount to either costly add-ons that provide no fuel efficiency improvements or they will result in significant impacts on the efficiency of their operations because the "spec" that best fit their business model is no longer available because it does not meet the rule's standard.

To illustrate how this will impact small business truckers, think about a trucker who does a little more than half of his work pulling a dry van trailer and the rest is pulling a flatbed. This is a common occurrence for owner-operators. Under the new rule, the next time this owner-operator buys a new truck, they are going to have to focus the "specs" of their truck on their dry van operations. The aerodynamics of the truck, the wheels, tires, and drivetrain combination will need to be focused on that type of operation, because that is what is required under EPA rules. If they "spec" the truck to a flatbed operation, he may have to buy a truck that is totally different from the one needed to haul a dry van, a low-roof sleeper instead of a raised roof sleeper, for instance. In the past, the owner-operator would have worked with the truck dealer and manufacturer to find the "sweet spot" for both types of operations, but under these new rules, that is going to be impossible.

Truck aerodynamics are another area where their use may make sense for some operations, but as a mandate they do nothing but drive up costs for some segments of the trucking industry. The best example of this is the heavy haul segment, which I talked about before. The photo below is an example, albeit an extreme example, of an oversized load hauled by a truck.



There is no amount of aerodynamic improvement that could be made to the tractor that can improve its fuel efficiency. The same holds true for trucks that haul cargo like mobile homes, large military equipment such as tanks, or generators for power plants. The additional cost of fairings and other equipment required under this rule will simply be a waste of money to the significant segment of the trucking industry that makes its living from hauling these specialized loads.

Another area of the rule that is not a complete mandate, but comes pretty close to that under EPA and NHTSA's system for certifying compliance is speed limiters. While not a required device, the regulation gives a lot of credit to manufacturers for the number of trucks they make that have a permanent, disable-proof speed limiter activated on the truck. While many large motor carriers make use of speed limiters because of their view that these devices lead to better fuel efficiency, they are seen as a significant efficiency reducer within the small business and owner-operator trucking community. OOIDA members without speed limiters can move cargo across our highways at a much greater efficiency without breaking speed limit laws than vehicles that have activated speed limiters. Not only is this speed limiter allowance dangerous because it increases unsafe speed differentials between different types of vehicles on the highway, but it also runs in the face of Congress' decision to allow states to have control over their own speed limits on their own highways.

As a driver, on the issue of speed limiters, I must go back to driver training and its importance. Simply setting a limit to speeds is not going to ensure that the truck is traveling at the most efficient speed for the weight of its cargo and the terrain the truck is traveling over. That takes the knowledge of the driver making sure the truck is geared correctly and that enough throttle is applied at the right time. Indeed, what I fear happening, and I have seen it with trucks from large motor carriers, is that they will drive the truck at the fastest speed possible as much as they can to make up for the efficiency lost due to their artificially limited highway speed. This not only has a negative impact on safety, but defeats the purpose of these regulations by incentivizing the driver to drive at a higher speed when they should be traveling at the posted speed. Again, these are all issues that EPA and NHTSA would have picked up on had they simply talked to some real, live truck drivers!

Finally, one of the other additional costs placed on small business trucking under this rule is the focus on "SmartWay" and "super-single" tires that offer low-rolling resistance and are designed to improve fuel efficiency. In the rule, the EPA and NHTSA talked a lot about how the trucking community did not understand the fuel efficiency benefits of these tires, and that this was a major reason that they were including such a focus on them within the rule. However, if you talk to truckers, the reason these tires are often avoided is because they are not the best match for their business.

Take my operation for example. Often I am driving through a muddy and puddle-filled mill yard on the way to pick up my load of steel. The low-rolling resistance part of the tire that the rule focuses so much on actually means less tread, so these new tires have significantly less traction. That means I am at a greater risk of getting stuck out there in the mill yard, not to mention what might happen to me coming up a snowy road or a mountain pass in the middle of winter.

These new tires also wear at a lot faster rate than standard tires, meaning that truckers are going to have to replace them a lot more often, adding a huge new cost to their operating budgets. And that cost goes even higher when you factor in the fact that these tires are 1-10-30 percent more expensive than standard tires. Think about the outrage you would hear from your constituents if the auto emissions rules required their cars to use tires that had less traction, had less resistance to wear, and cost more!

This regulation has a dual-edged sword for truckers. As I talked about before, it's going to have an impact on our operations and make us purchase equipment and add-ons that many of us are not going to see a return from. The further impact of the rule is the cost of those mandates even to folks who will see a benefit from them. This regulation, even at EPA's estimate, adds another $6,000 to the cost of a new truck. This is on-top of the $20,000 to $30,000 in additional costs added to trucks from previous EPA rules. Additionally, in the Heavy-Duty Truck Regulatory Impact Analysis, the EPA stated that the average Class 8 sleeper-equipped truck cost only $112,000. As you can see from the attached truck purchase order, that is a gross misstatement that misses the mark by nearly $50,000 without ever accounting for the added costs of complying with this new rulemaking.

Instead of incentivizing truckers to make that purchase decision, these regulations simply add more costs, making it difficult for a truck purchaser to justify the additional money a new truck is going to cost them. This means that truckers like me who want to run the most efficient and cleanest truck face significant challenges when it comes to buying these trucks.

Conclusions & Alternatives

OOIDA and its members support the goals of past EPA regulations and the intent of the EPA and NHTSA's Heavy-Duty Truck Rule to improve truck fuel economy and reduce emissions. However, we question the process used by the EPA and NHTSA to develop the rules and the efficacy of the approach taken by the rule, which mandates the purchase

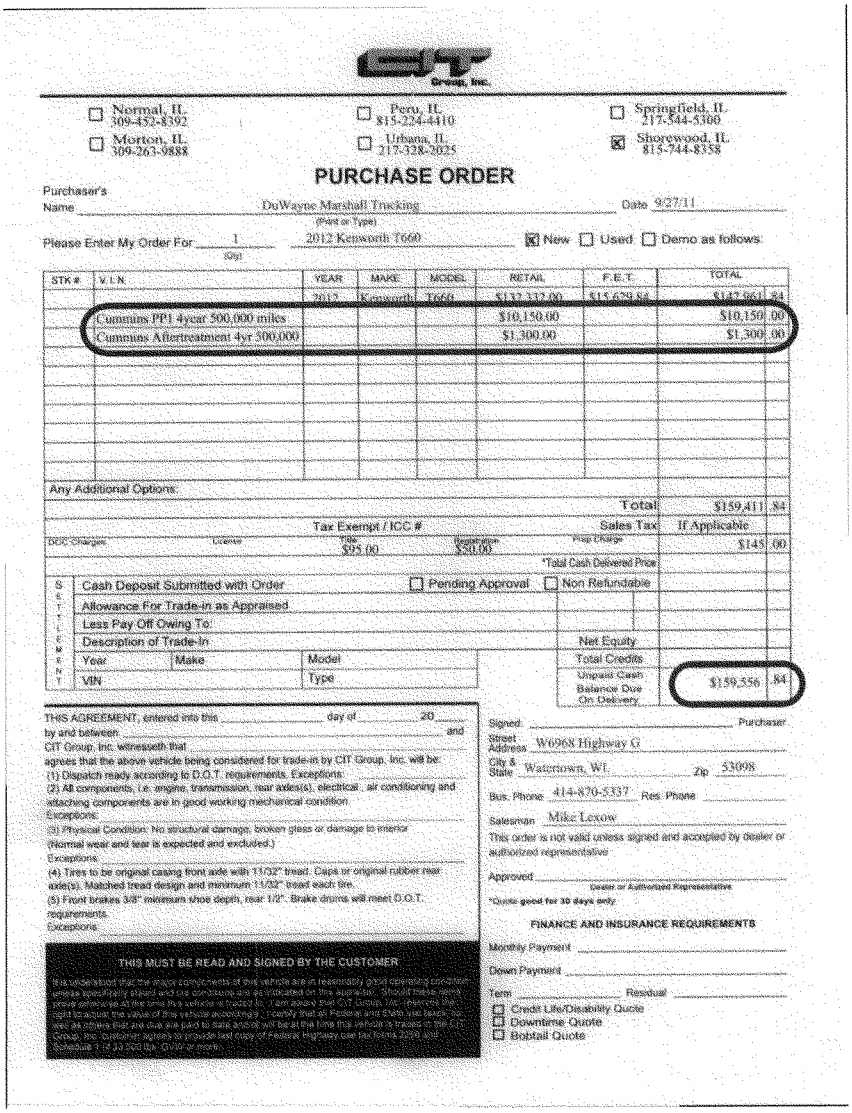
of costly technology by all truckers, irrespective of its ability to improve their operation and actually improve fuel economy.

We are further concerned that the agencies have already begun the early work on its next round of regulations for trucks with model years after 2017. OOIDA fears that this next round of rulemaking will further reduce option choices for truckers, include additional new mandates that do not make real improvements to fuel economy, and even include new mandates on trailers. We feel that before the agencies move forward with the next round of regulations, they should change their approach to improving fuel efficiency and reducing emissions.

Agencies must recognize the reality that truckers are focused on maximizing their fuel efficiency and reducing emissions of all kinds. Our business success in what is one of the most highly competitive industries in the country depends upon us being good stewards of our resources and focusing on our fuel efficiency. Given the amount of money that a one truck operation spends on fuel a year – tens of thousands of dollars – pure economics tells you that trucking is going to take every advantage of technology that improves fuel efficiency based on their unique needs and without any government mandate.

Chairman Jordan and members of the Subcommittee, thank you for inviting me to testify today on behalf of small business and owner-operator truckers. I look forward to answering your questions.

Recent Truck Purchase Order Highlighting EPA-Related Charges



CIT Group, Inc.

☐ Normal, IL 309-452-8392 ☐ Peru, IL 815-224-4410 ☐ Springfield, IL 217-544-5300
☐ Morton, IL 309-263-9888 ☐ Urbana, IL 217-328-2025 ☒ Shorewood, IL 815-744-8358

PURCHASE ORDER

Purchaser's Name DuWayne Marshall Trucking (Print or Type) Date 9/27/11

Please Enter My Order For 1 (Qty) 2012 Kenworth T660 ☒ New ☐ Used ☐ Demo as follows:

STK #	V.I.N.	YEAR	MAKE	MODEL	RETAIL	F.E.T.	TOTAL
		2012	Kenworth	T660	$132,332.00	$15,629.84	$147,961 84
	Cummins PP1 4year 500,000 miles				$10,150.00		$10,150 00
	Cummins Aftertreatment 4yr 500,000				$1,300.00		$1,300 00

Any Additional Options:

Total $159,411 84

Tax Exempt / ICC # Sales Tax If Applicable

DOC Charges License Title $95.00 Registration $50.00 Prep Charge $145 00

*Total Cash Delivered Price

Cash Deposit Submitted with Order ☐ Pending Approval ☐ Non Refundable

Allowance For Trade-in as Appraised

Less Pay Off Owing To:

Description of Trade-In

Year Make Model

VIN Type

Net Equity

Total Credits

Unpaid Cash Balance Due On Delivery $159,556 84

THIS AGREEMENT, entered into this ____ day of ____ 20____ by and between ____ and CIT Group, Inc. witnesseth that ____ agrees that the above vehicle being considered for trade-in by CIT Group, Inc. will be:
(1) Dispatch ready according to D.O.T. requirements. Exceptions:
(2) All components, i.e. engine, transmission, rear axles(s), electrical, air conditioning and attaching components are in good working mechanical condition.
Exceptions:
(3) Physical Condition: No structural damage, broken glass or damage to interior. (Normal wear and tear is expected and excluded.)
Exceptions:
(4) Tires to be original casing front axle with 11/32" tread. Caps or original rubber rear axle(s). Matched tread design and minimum 11/32" tread each tire.
(5) Front brakes 3/8" minimum shoe depth, rear 1/2". Brake drums will meet D.O.T. requirements.
Exceptions:

THIS MUST BE READ AND SIGNED BY THE CUSTOMER

It is understood that the major components of this vehicle are in reasonably good operating condition unless specifically stated and no conditions are as indicated on this agreement. Should these items prove otherwise at the time this vehicle is traded in, I/we assure that CIT Group, Inc. reserves the right to adjust the value of this vehicle accordingly. I certify that all Federal and State use taxes, fees, etc. as relating that are due are paid to date and/or will be at the time this vehicle is traded in the CIT Group, Inc. Customer agrees to provide last copy of Federal Highway use tax form 2290 and Schedule 1 (if 24,000 lbs. GVW or more).

Signed. ____ Purchaser

Street Address W6968 Highway G

City & State Watertown, WI Zip 53098

Bus. Phone 414-870-5337 Res. Phone ____

Salesman Mike Lexow

This order is not valid unless signed and accepted by dealer or authorized representative

Approved ____ Dealer or Authorized Representative

*Quote good for 30 days only

FINANCE AND INSURANCE REQUIREMENTS

Monthly Payment ____

Down Payment ____

Term ____ Residual ____

☐ Credit Life/Disability Quote
☐ Downtime Quote
☐ Bobtail Quote

KENWORTH

Data	Code	Description	$ List	Weight
9140193	O	**Delete hosetenna. Must code for a tractor kit.**	-125	-8
9140199	U	**9140196 Double spring replacing single** spring hanger.	31	2
9140232	O	**Locate air dryer inside LH rail BOC.**	100	0
9140321	O	**Additional 7-way ISO 3731 connector for trailer** ABS power One additional, w/ o light line, for full truck & tractor.	153	6
9140700	O	**Standard hosetenna Bracket Location.**	0	0
Extended Warranty				
9200021	S	**Standard Warranty.**	0	0
9205490	O	**Protection Plan 1: Cummins 4-year/500,000 miles** (804,672 km), ISX15 & ISX11.9 2010, >500 hp.	10,150	0
9205816	O	**Cummins Aftertreatment: use w/ Protection Plan 1** 4-year/500,000 miles (804,672 km), ISX15 & ISX11.9 2010	1,300	0
9210210	O	**2010 EPA heavy-duty Surcharge $9250.**	9,250	0
Miscellaneous				
9490003	O	**Additional lead time required for off highway &** /or speciality component truck.	0	0
9490206	O	**Triangle reflector kit. Kit consists of 3** triangles in plastic carrying case.	29	4
9490404	O	**One 5 lb. dry chemical type fire extinguisher** mounted outboard of driver seat.	102	11
Paint				
9700000	O	**Paint color number.** N97020 A - L1324EB RICH BLUE N97400 SUNVISOR L1324EB RICH BLUE N97600 AIR SHIELD L1324EB RICH BLUE N97200 FRAME N0001EA BLACK N97700 BUMPER L1324EB RICH BLUE	0	0
9940030	S	**Paint bumper & chassis fairings "A" color.**	0	0
9943419	O	**Imron solid 1 color aerodyne sleeper Spec A.**	0	0
9965510	S	**Base coat/clear coat.** The Kenworth Color Selector contains additional instructions, as well as information on Kenworth paint guidelines and surface finish applications. Kenworth is standard with Dupont Imron Elite paint.	0	0

Total Adjusted Price (W/O Freight & Warranty & Surcharges)	$199,566
Freight Charge	$1,925
Options Not Subject to Discount	$11,450
2010 EPA Engine Surcharge Not subject to Discount	$9,250
Total Weight	18777

Prices and Specifications Subject to Change Without Notice.

Unpublished options may require review/approval.
Dimensional and performance data for unpublished options may vary from that displayed in PROSPECTOR.

Printed:	9/28/2011 4:21:33 PM	***Complete***	Model Number:	T600 Series Conventional
Effective Date:	Jul 1, 2011		Quote/DTPO/CO:	Q12126247
Prepared by:	ID: Mike Lexow		Version Number:	27.03

Mr. JORDAN. Thank you, Mr. Grenerth. We appreciate all the witnesses' testimony.

We are going to start with the gentleman who understands this issue or has to deal with this issue on a regular basis, and that is the gentleman from Pennsylvania, who is a small business owner in the car business. Mr. Kelly is recognized for 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. Anwyl, thanks for being here today. As the chairman said, I think one of the other costs that we are not looking at is what it costs a dealer to stock these vehicles. I am a Chevrolet dealer, and have been when my dad started in 1953. We have a Chevy Volt on the lot right now; it has been there now for 4 weeks. We have had one person come in to look at it, just to see what it actually looked like.

Now, my question, and I guess what I am trying to understand is, here is a car that costs $45,763. I can stock that car for probably a year and then have to sell it at some ridiculous price. Now, by the way, I just got some information from Chevrolet. In addition to the $7,500 tax credit, Pennsylvania is going to throw another $3,500 to anybody foolish enough to buy one of these cars, somehow giving $11,000 of taxpayer money to buy this Volt.

Now, when you look at this, it makes absolutely no sense. I can stock a Chevy Cruze, which is about a $17,500 car and turns every 30 to 40 days out of inventory, or I can have a Volt, which never turns and creates nothing for me on the lot except interest cost. And I am trying to understand how in the world we come up with these ideas that somehow, somehow, if we just go electric we are going to save all this money and all this fuel, and we are going to relieve the world of all this emission that is out there. It is absolutely insane that we continue down this path.

A Chevy Cruze can get 36 miles per gallon on the highway. Now, they say on a Volt you can get 94 miles per gallon. That is if you go on an electric charge, right? Which I think the range on that, I think you can go 35 miles if you just go electric, okay? Which doesn't make sense for people who live in northwest Pennsylvania. Sometimes that is the one way just to your work.

So a lot of these things that we are seeing and that are going on have a tremendous economic impact on the people who are being asked to stock them and sell them. There is no market for this car. I have some friends who have sold them and they are mostly to people who have an academic interest in it or municipalities that they are asking to buy these cars.

So just from your standpoint, because you talk to a lot of dealers, people like me, is there any upside to any of this? We can get cars that I can turn every 35 to 40 days that get almost the same amount of miles per gallon, their emissions are clean. Please tell me what is the marketing strategy on this?

And I saw where Mr. Ackerson said we need to build 200,000 of these. I tell you what. If he builds 200,000, he is going to have to find somebody that can buy those cars and put them on their lot. If General Motors wants to ship them to me and I will put them on my floor plan, I will gladly store them in the back lot for them as long as I don't have any economic interest in it.

But if you can tell me where do you see this going. I mean, is anybody out there, other than somebody that is good with a laptop but lousy with an econotop, cold tell me where in the heck are we going with this policy and where does this lead down the road? If we continue this policy, it makes no sense. And I can tell you as far as job creation, the guy who ordered that Volt in my store is no longer in that job. So it actually worked against him.

And I am trying to understand. And I was told that the reason that that car is on our lot is that General Motors told him had to stock it. I said, wait, let me understand. I told you under no circumstances were you to order a Volt. And he said, yeah. And I said, so why did you order it? He said, well, General Motors told me. I said, is this the same General Motors that tried to take my Cadillac franchise from me? These are the people you listen to? The guy that signs your check doesn't have as much influence as the guy who tried to take the franchise?

So if you could, tell me where is this market going? Do you see any market for this car at all?

Mr. ANWYL. There is a little bit of good news. You mentioned it did create some traffic for you, albeit one person. That is something that the car companies tout, is that these vehicles do attract some interest, some traffic; not necessarily buyers.

I think there are a couple things in what you are mentioning. And let me also mention the Volt is actually a very nice vehicle. We bought one ourselves. It is in a long-term fleet. We have an extended charger. People actually enjoy it. But the problem I think you have outlined is really twofold. One of them is that there are all sorts of inducements for people to be buying these vehicles. In California it varies; I think it is $2,500 plus the $7,500.

And yet, when you look at who is buying these vehicles, and there are people buying them, they are at the very high end of the demographic scale. And there is a group in society, a group in the marketplace who are very passionate about alternatively powered vehicles, Leafs, Volts. We have an environmental editor who bought a Leaf with his own money and he is putting solar panels on his roof so that he can actually charge the vehicle from the sun. So this is a little extreme, but there are people that are very passionate about that. And for these people I think the Volt is a perfectly fine choice, and so is the Leaf a perfectly fine choice.

The question is, though, how many people are there like that? And right now we are seeing people who would have bought that vehicle anyway, even without the tax credits, getting the tax credit obviously at the expense of other taxpayers, and you have to wonder about the wisdom of that.

Mr. KELLY. Well, people who actually have to work within a budget that they are very limited to, and part of it is not only their housing cost and their food cost, but also their transportation cost and the cost for fuel, it makes absolutely no sense to those people. I am talking about hard-working, taxpaying American public that actually needs transportation to get back and forth to work. These are the people that cannot afford to buy these cars, and it makes no sense to it. It is not a vehicle that I would want on my car lot in northwest Pennsylvania.

Thanks for weighing in on it.

Mr. ANWYL. Sure.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. JORDAN. Thank you.

Next, the gentlelady from California is recognized for 5 minutes.

Ms. SPEIER. Thank you, Mr. Chairman.

First of all, to Mr. Kelly, send that Volt to California. It doesn't have to stay on your lot, because there is a waiting list in my district at my Chevrolet dealership of 6 months to get a Chevy Volt.

Mr. KELLY. Would the gentlelady yield? Give me the name of the dealer. I will get it out there as quick as I can.

Ms. SPEIER. Putnam Chevrolet. Send it to him today and I can guarantee you——

Mr. KELLY. If you will pick up the transportation costs, I would love to do that.

Ms. SPEIER. All right.

Mr. JORDAN. Bipartisan operation.

Mr. KELLY. Thank you. Appreciate your help. We do work together. Thank you. [Laughter.]

I will be right back; I am going to call the store.

Ms. SPEIER. Mr. Chairman, I respect your authority as chairman of this committee. I realize that you can set the agenda, but this subcommittee has the responsibility to look at a number of things, probably the most important is Government spending. And if we spent our entire legislative agenda in this subcommittee on getting rid of wasteful Government spending and look exclusively at the $30 billion to $60 billion of contracting that goes on that is fraudulent, we would be doing a service to the public. But this hearing, with all due respect, is a bad fairy tale because it doesn't reflect reality.

And to you, Mr. Anwyl, you said, under oath, that the consumer is not on board with higher mileage vehicles. I don't now what consumer in this country wouldn't be interested in getting a vehicle that gets better mileage, because they save money at the gas pump if they get a vehicle that gets better mileage.

Now, I want to address to you the press release put out by Ford Motor Co. in June 2011, just a couple of months ago, entitled Miles Per Gallon Matters. "Forty-two percent say fuel economy is key in new vehicle purchase decisions. Influence likely to grow."

The release cited the new vehicle customer study done by Moritz Research that has been going on since the 1970's, and according to this study 42 percent of those surveyed say fuel economy is "extremely," not a little, extremely important in their decision to purchase a new 2011 model, and it has been a 13 percent increase versus 10 years ago.

So for you to say that the consumer is not on board is a false statement, and I want you to address the Ford Motor Co. press release that says 42 percent say it is extremely important in their new car decision.

Mr. ANWYL. Thank you. So let me explain. And I did say that under oath and I do stand by that statement. The issue that we are dealing with is that what you are citing are surveys, and there are a lot of surveys out there that show that consumers, and the numbers are going to vary, but basically they are making the case that to consumers fuel economy is very important.

The issue that you run into, though, either through the survey design or pretty much on any surveys, that surveys are going to create some strange results. The big one is that consumers tend to respond to surveys in ways that they think are societally acceptable. And a great example of this would be when you ask someone why did you pick the job that you have? They are going to talk about job satisfaction or making a difference. And yet, when you actually do a mathematical scientific study, you are going to find that they took the job because of the money, and yet nobody says that on a survey. And we are seeing the same thing in terms of the cars that people are buying.

So when I say that they are not on board, it is not that they don't say nice things in surveys. What matters are the vehicles that they are buying, and their preference is overwhelmingly not for the types of vehicles that are being mandated by this proposed set of regulations.

Ms. SPEIER. So you are basically saying that people don't say what they mean.

Mr. ANWYL. Absolutely.

Ms. SPEIER. So then why do we listen to any polls?

Mr. ANWYL. That is a very good question. [Laughter.]

I would echo that.

Ms. SPEIER. But, Mr. Anwyl, you cited your own poll. So it sounds like you are being selective.

Mr. ANWYL. No, no, I did not cite a poll. No, the study that we have done is actually a market-based study, where we look at the vehicles that people are buying and we blend into that consumer analysis, but it is fundamentally driven by the vehicles that they are choosing in the marketplace, not what they are saying when somebody calls them at dinnertime.

Ms. SPEIER. All right, Mr. Hwang, how would you respond to that?

Mr. HWANG. First of all, I think this discussion about the Chevy Volt is a good discussion to have, and I think we would like more Chevy Volts in California; however, the fact of the matter is the 54.5 mpg standard will not require vehicles like the Chevy Volt. General Motors is free to build such vehicles, but reaching 54 mpg can be done with rather conventional technologies.

Furthermore, Mr. Anwyl does point out a very important issue, which is that we should listen to the market. So let's look at the marketplace. In September what we have seen is an increase in so-called crossover utility vehicles. Okay, these are not SUVs. I believe in his testimony he labeled these as SUVs. A true truck-based SUV market no longer exists, practically no longer exists; it has been cut in half since 2005. These are the Chevy Tahoes and what you traditionally might think of as a Ford Explorer.

In fact, in September a very popular vehicle, very popular Chevy vehicle that drove General Motors' sale growth is a crossover utility vehicle, a car-based, very tall station wagon type vehicle called the Chevy Equinox. The Chevy Equinox, the most fuel-efficient version you can buy, which many customers are choosing, achieves 25.9 miles per gallon for a crossover utility vehicle that replaces the Chevy Trailblazer. And the Chevy Trailblazer used to achieve—

General Motors no longer builds it—17.2 miles per gallon combined cycle.

So, therefore, customers are speaking. They are buying fuel-efficient vehicles, whether they are crossover utility vehicles, whether they are compact cars, or whether they are other types of vehicles.

A recent article by Edmunds, October 6th, on Edmunds site talked about pickup trucks. Pickup truck sales did increase in September, but the title of the article was "Incentives Bulge to Keep Big Pickups Moving." So it is not like the American public are flocking back to big gas guzzling vehicles. One, they are crossover utility vehicles, not SUVs; and, two, incentives, according to Edmunds, averaged for pickup trucks, the current incentive level is $4,281, up in April of $3,261. A quote from Edmunds, "Appears market share perhaps profitable, perhaps not, was bought largely with increased incentives." Again, this is the pickup market.

Mr. JORDAN. Thank you.

Before recognizing the gentlelady from New York, let me just be clear. Mr. Anwyl, so you are saying your poll is based on actual purchases versus what people may say, is that correct?

Mr. ANWYL. Yes, Mr. Chairman. It is actually not a poll, this is a scientific study.

Mr. JORDAN. The facts are the facts. Let me ask one quick question. Let's assume Ms. Speier is right, that in fact Americans want higher miles per gallon. Then I go to the fundamental question: Why do we need Government to impose it? If that is what they want, won't the market get us there?

Mr. ANWYL. Well, I think the three pillars under which I have heard supporters talk about the new CAFE standards, one of them is that the technology is readily available; the second is that it is cheap; and the third is that the consumers want it. And I think, to your point, in a pre-market economy you wouldn't need regulations to drive sales; under those circumstances the market would be pulling sales through for you.

Mr. JORDAN. Correct. Thank you.

Now let's recognize the gentlelady from New York, Ms. Buerkle.

Ms. BUERKLE. Thank you, Mr. Chairman, and thank you to our panelists for being here today.

Unfortunately, the gentlelady from California left. I just have a couple of issues with what she said. First of all, she mentioned we should be dealing with wasteful Government spending, and I think when we see $7,500 tax credits to a car that is questionable in the market, and trying to put the Government in the middle of how the market works, I think that is a waste of taxpayer money.

I also want to mention about Ford and the press. I was going to ask her to repeat the press release that she read regarding Ford. Ford has a vested interest in this, and speaking of wasteful Government spending, the amount of money they received from this administration, both in grant and in loans, is several billions of dollars. So I think when they issue a press release such as that, they have a vested interest in this whole initiative going forward, and that is precisely what we are doing here this morning. We are trying to understand why a regulatory agency is circumventing the legislative process. So we all are concerned with wasteful Government spending, but I think we need to be clear about that.

I wanted to talk to Mr. Anwyl. I have a couple questions for you. NRDC cites a survey, and Mr. Hwang mentioned it, the Small Business Majority, that says the majority of small businesses support fuel economy standards. The whole project, frankly, seems fundamentally, ideological, and clearly liberal. That is what was stated within the Democratic party. The Small Business Majority has all the hallmarks of a shadowy interest group, starting with a name.

Are you familiar with this survey, the Small Business Majority?

Mr. ANWYL. Yes, I have seen an overview of the study, yes.

Ms. BUERKLE. And how does that reconcile with what your studies have shown?

Mr. ANWYL. Well, I think this echoes what I was talking about earlier. This is actually a poll, so it is not a scientific study. I think, as I was saying, the poll respondents tend to say what they think is societally acceptable. You will find that with every poll. The third thing, on this particular study, is it seems, when you look at how the questions were phrased, that the results were somewhat inevitable. I mean, I can read you the one question. This is on the pro-regulation side.

Ms. BUERKLE. Yes, if you would clarify that, that would be great.

Mr. ANWYL. Sure. So listen to the question. It says, Should automakers be required to meet higher fuel efficiency standards because of our growing dependence on Middle East oil is a serious threat to our security and American car companies lost market share in this country because they built fuel inefficient vehicles?

From a polling perspective, that is what I would call a highly leading question. There is almost no way to respond to that other than in the affirmative. So, as you would expect, that is what the poll did, it showed that small businesses favored higher standards.

Ms. BUERKLE. Now, in your testimony you mentioned that the consumers were left out, they weren't consulted. Can you just expand on that?

Mr. ANWYL. Well, I think we have heard this morning that the new standards were arrived at through a process where secrecy was a requirement, and from the consumer perspective we were looking at this all along and were very troubled by that process. My personal belief is that government should be transparent, that things should be simple and should be easy to understand. When we contacted the EPA about the consumer point of view, their response was that consumers would have the ability to contribute during the hearing process. After the rules have been published, there is a process where consumers can comment. I wonder how much consumer comments will be actually taken into consideration when a deal has already been announced.

Ms. BUERKLE. So your position or your thought is that this period of time for comment isn't going to cure the defect in this whole process.

Mr. ANWYL. I would find that unlikely.

Ms. BUERKLE. Dr. Lewis, would you like to expand on that?

Mr. LEWIS. Well, yes. There is a basic difference between the opinions that people express just in response to a question and the revealed preferences that they have when they are actually putting their money where their mouth is. So I think that is what my col-

league's here study actually tries to measure, is revealed preference.

Another point to be consider would be—and I completely acknowledge that a lot of people really do want to buy more fuel-efficient cars, and I trust the data that Mr. Hwang was mentioning about how many people are now buying V6s rather than V8s and so on, but if that is what people really want, why do we need a law forcing automakers to produce those cars? If the automakers don't provide customer satisfaction, and if the dealers, Mr. Kelly, don't have cars on the lot that people want to buy, they will be penalized in the marketplace more ruthlessly than any government regulator could possibly administer.

So it seems to me that the only purpose that a fuel economy standard would serve would be to actually limit what customers are able to buy and what automakers are able to sell and produce. I mean, that is the only point of them, really, because if we just had a totally free market, then automakers would be able to cater to consumer preferences rather than government agency directives.

Mr. BUERKLE. Thank you, Dr. Lewis.

My time is up, but I just want one further comment, if I may, Mr. Chairman. In all of this, everyone wants to drive a fuel-efficient car, but I had six children, my son has seven children, so some of these options—it isn't that I don't want to drive a fuel-efficient car, it is that the reality is that I have to fit these kids in a car and I want my kids to be safe. I yield back. Thank you, Mr. Chairman.

Mr. JORDAN. I thank the gentlelady.

Real quickly. Mr. Grenerth, as a small business owner who has the standards already imposed on your trucking company, did you feel your concerns were addressed during the comment time that you had? We are talking about the comment period that exists for people to weigh in, consumers and business owners. How was it for you?

Mr. GRENERTH. I know the staff from OOIDA is more than happy to get hold of me any time. They know I will show up in D.C. any time there is a worthwhile opportunity for input. They tried to get the EPA to provide an opportunity for actual truck drivers to have input. Nothing. They did not get back to them. That is one of the things that drives me nuts.

Mr. JORDAN. So you would agree with the statement that Mr. Lewis and Mr. Anwyl made, that it seems to be the deal is already done.

Mr. GRENERTH. Yes, that generally seems to sum it up there, definitely. It is very disheartening, to put it mildly.

Mr. JORDAN. I thank the gentleman.

I now recognize the ranking member of the full committee, the gentleman from Maryland.

Mr. CUMMINGS. Thank you very much. As I listen to all of this, I am wondering what, Mr. Hwang, let's assume for a moment that all that Mr. Anwyl is saying is true, and Dr. Lewis. I am trying to figure out what is the down side of trying to save fuel. Maybe I am missing something. You talked about how we are sending dollars overseas and how it would be good to, for our consumers, our constituents, to spend less money on gasoline. But you have lis-

tened to Mr. Anwyl and he has talked about what consumers are doing, but what is the down side of trying to do this? Maybe I am missing something.

Mr. HWANG. Frankly, Mr. Cummings, I strongly concur with you. I struggle to see down sides in this new proposal. The benefits to the consumer, the benefits to our balance of trade and reducing imported oil, the benefits to the environment are overwhelming. Why is there a law or requirement for automakers to raise fuel economy and lower CO2? Well, the fact of the matter is that there is a national interest here at stake: our energy dependency and the future of our health and our environment. So there is a national interest here at stake, so I think it is quite appropriate that there are long-term standards.

Furthermore, of course, what we have seen over the past history of the U.S. auto industry and what we see in the combativeness associated with the last two decades of trying to lower carbon pollution and raise fuel economy for motor vehicles has not actually done a great service, actually has done a disservice to the U.S. auto industry, who was caught multiple times, when oils prices were raised and lost market share, jobs were lost, companies lost market share, especially the domestic automakers.

So no one really wants to return to the bad old days of fighting about new standards because everybody recognizes that it is in our long-term interest, both from a business perspective from the U.S. auto industry and from a national interest perspective to reduce our dependency on oil and enhance U.S. economic competitiveness by having the U.S. auto industry build the cars of the future.

And Ms. Buerkle, I am the father of two children. Safety is of absolutely critical importance to myself personally, and I would say that to your question about needing to haul around your family, needing a larger vehicle, when it comes to safety, design matters. Vehicles which are lighter can be safe, are safer than heavier vehicles. This is data that I am happy to submit; some of it is in my testimony.

Furthermore, I also mentioned that there is a vehicle called the Chevy Equinox. The Chevy Equinox is a crossover utility vehicle that holds probably at least, I will have to check on that, but it is a mid-sided crossover utility vehicle. That vehicle achieves 25.9 miles per gallon, 50 percent higher than the 17.2 miles per gallon vehicle that Chevy replaced called the Chevy Trailblazer.

Mr. CUMMINGS. Let me just interrupt, because I want to ask you one more question. You talk about your kids. I teach my kids to never mistake a comma for a period, and I think we could go the route we have been going and be the same place we are 20 years from now. At some point I think we have to aim in the direction that we are aiming in.

And let's assume what Mr. Anwyl says is true, that maybe people are not buying these vehicles as fast. I am just assuming for the moment. Maybe there are some people that need to catch up with that. I mean, at some point I can tell you people in my area, they need that extra savings because a lot of them have lost their jobs, lost their houses. So if there is any way that they can save fuel, they want to do that.

When we talk about innovation, sometimes we need to be aiming at a higher standard. We are better than this. When I go to other countries, it seems like I see these cars everywhere. How do we compare to other countries with regard to this kind of issue?

Mr. HWANG. Well, the fact of the matter, when it comes to international competitiveness, we have slipped behind, and we are behind Europe and even China when it comes to current fuel economy levels. Both Europe and China are moving forward very aggressively with advanced vehicles also, including electric vehicles. So the world is moving at a more fuel-efficient, the world is moving toward hybrid electric vehicles, battery electric vehicles, plug-in electric vehicles, and that is really the future and that is really where we need to invest our money, in our U.S. manufacturing innovation and competitiveness, if we still want to be able to compete in the 21st century.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Mr. JORDAN. I would argue part of that in Europe is the price of gasoline is about $8 a gallon, so there is a little different climate there.

Let me just, real quickly, ask Mr. Lewis. You know, Mr. Hwang, if it was up to him, why don't we make it 70 miles per gallon, 100 miles, if it is going to be all this wonderful world and just raise it as high as we possibly can? Can we meet the standard now, the 49 miles per gallon, that NHTSA has, the 54 that EPA? Can that standard be met today? I know that is the target in the future, but can it be met?

Mr. LEWIS. There are very few cars that could meet that standard today.

Mr. JORDAN. And certainly not in a practical sense, for folks who live like in northwest Pennsylvania, like Mr. Kelly talked about, right?

Mr. LEWIS. Yes. Yes. And if we are going to offer $7,500 in tax rebates to put a million of these vehicles on the road, that is $7.5 billion in loss of revenue at a time of a fiscal crisis. So you wonder how affordable it is from a national perspective as well.

I wish I had the reference here, I will provide it to the committee, but I saw an article only a few weeks ago that said that in China SUV sales are booming, that in 2010 there were 850,000 SUVs sold and only one hybrid sold. One Prius in all of China, and it may have been purchased from an engineer who was trying to take it apart to see how it worked.

So here is the down side that I see.

Mr. JORDAN. Quickly, because I want to recognize the gentleman from Idaho.

Mr. LEWIS. Okay. The premise of setting fuel economy standards really is that consumers don't understand their best interest, that they let the short-term pain of a higher priced vehicle overwhelm their good judgment in achieving longer-term fuel savings. But this kind of reduces the consumer to a two-dimensional character.

The only thing that the consumer considers from this mentality is up-front costs versus fuel expenditures. Whereas, in fact, we know that consumers are much more complicated than that. Sometimes you don't want to spend a couple extra thousand dollars this

year on a car because you want to send your kid to college or because you need it for the kid's music lessons.

So if you read the EPA NHTSA literature, they say the consumers undervalue fuel economy. Well, that is like saying consumers undervalue music lessons.

Mr. JORDAN. Thank you.

Mr. LEWIS. And where it gets really crazy.

Mr. JORDAN. Hang on a second. I am going to stop you right there.

Mr. LEWIS. Okay.

Mr. JORDAN. I want to get to Mr. Labrador, and maybe you can jump right back in there.

The gentleman from Idaho is recognized. Thank you.

Mr. LABRADOR. Thank you, Mr. Chairman.

Mr. Grenerth, I just have a question. I don't know if you heard what Mr. Hwang just said, but he said that there is really no down side to this new CAFE standards, and I think I heard your testimony say something different. Do you agree with his statement?

Mr. GRENERTH. Oh, I definitely would say there is a down side to it, because the fact that if you just look at, for example, the last time the EPA did this with the 2004 and 2007 standards, fuel economy dropped with the exhaust gas recirculation being introduced in trucks, it dropped by one mile per gallon. One mile per gallon on a vehicle that gets, on a good average, 6 miles per gallon. That is a huge down side. That is very detrimental. That puts more greenhouse gas out in the air.

The other thing that came along with that is reduced reliability, and I mean in a big way. Those valves fail frequently. As a matter of fact, I called a shop back in Congressman Jordan's district, where I get my truck worked on, and this is a pretty small truck repair shop, too. In that week they replaced four EGR valves on trucks. That is $400 apiece plus basically missing an entire day's work and maybe, even worse than that, losing a customer because you are viewed as not a reliable individual anymore in your business.

So that unproven technology is a very, very serious concern. It has been proven, unfortunately, from these previous mandates, that this does happen, talking about trying to push technology that is really not there. And that is why I personally can tell you that when I went to buy my truck, almost exactly 3 years ago, when I became an owner-operator, I intentionally purchased a truck that did not have that exhaust gas recirculation on it because I believe that I can make the choice the way I drive the vehicle between here and my right foot, that I know how to drive it appropriately and get the best fuel economy. I haul very heavy loads all the time. I get 7.2 miles per gallon.

Mr. LABRADOR. So what you are saying is that central government planning doesn't necessarily work.

Mr. GRENERTH. Absolutely. It doesn't necessarily mean you are going to end up with proven technology. There are a lot of risks in this. I don't gamble. I am willing to take a risk being a small business owner, but I do not gamble, definitely not.

Mr. LABRADOR. Mr. Anwyl, what is the number one selling vehicle in America right now?

Mr. ANWYL. Generally, it is the F–150 pickup truck from Ford.

Mr. LABRADOR. And that is just like a Prius, right, it gets the same gas mileage?

Mr. ANWYL. It is a little bit bigger than a Prius.

Mr. LABRADOR. Okay. And can you explain to us why, if America wants fuel efficiency, why the F–150 is the number one selling vehicle in America?

Mr. ANWYL. Well, I think it actually is supported by my earlier testimony, and that is that consumers are looking for fundamental utility when they buy a vehicle. They buy a vehicle to do something, to take their family around, to haul something, to tow something. And I think it is important to note that the car companies have been delivering utility and better performance, better safety, and improved fuel economy over the past few years, and I do expect that to continue. So when we talk about the future, what we need to be recognizing is that the future in terms of fuel economy is going to improve even without additional regulation. The trend line there is pretty clear.

The F–150 is interesting because they have introduced a V6 EcoBoost engine, and I think that is probably the best evidence of what I have described, because what Ford has done with the EcoBoost is actually improved the utility of the truck; it has more torque, more towing capacity, happens to get only 1 mpg better, so it is not like it is solving all the problems, but it is a step in the right direction.

Mr. LABRADOR. Excellent.

Dr. Lewis, I am having a hard time here understanding why, if America wants these cars, we have to give them $7,500 to buy them. I really like Big Macs, and the Government doesn't have to make me, force me to buy those Big Macs. So how does this work?

Mr. LEWIS. Well, you have just provided the reductio ad absurdum, and you are absolutely correct. And what is even, I think, stranger, and this is what I was going to get to earlier, is that the EPA and NHTSA seem to think that even truck drivers, people who haul freight for a living, people whose single biggest operating expense is fuel, people who live on razor thin profit margins don't understand their true interest are shortsighted buyers and need to be forced to buy trucks that meet Government-imposed fuel economy regulations, and, you know, it is like saying we need a Big Mac mandate.

Mr. LABRADOR. So we are too stupid to know that we want these cars. Is that what is being said here?

Mr. LEWIS. I think there is a nanny status aspect to this in which ordinary people are viewed as just big children.

Mr. LABRADOR. Mr. Chairman, I respect your job very much and I think that if we are going to look at Government spending, the fact that we are spending $7,500 for each one of these cars, and in some States we are adding another $2,000 to $2,500, I think that is wasteful Government spending, especially if it is something that the people want.

Mr. JORDAN. Well said. I thank the gentleman.

Now yield to the ranking member of the committee, my good friend from Cleveland, Mr. Kucinich.

Mr. KUCINICH. Thank you very much, Mr. Chairman, members of the committee. I just want to say I think Mr. Anwyl is one of the most remarkable witnesses that this committee has ever had because he came to a town that is totally reliant on polls. [Laughter.]

The White House, the Presidential race, Republican Party, the Democratic Party, just about every Member of Congress is reliant on polls, and we have a witness come before this committee who tells us definitively, authoritatively, no doubt, that polls are not scientific. I want everyone to mark this moment and check with your campaign treasurers. [Laughter.]

And I think that we ought to take Mr. Anwyl's other comment about consumers don't care much about fuel economy with the same humor.

Now, I just want to say the trucking industry is a critical part of Ohio's economy; provides Ohio with over 290,000 jobs. But in order to survive and remain competitive, truck drivers need trucks that get better gas mileage and cost less to operate. That is exactly why the new fuel efficiency standards for medium- and heavy-duty trucks that are finalized this summer are so important to Ohio and the trucking industry; and it is also why there is a long list of trucking industry groups that support the new rule, including the American Trucking Association and its Ohio affiliate, the Ohio Trucking Association.

Now, Mr. Hwang, I am puzzled by Mr. Grenerth's testimony that members of the Owner-Operator Independent Drivers Association will be harmed by the new standards. Can you discuss the impact of the proposed fuel economy standards on the trucking industry, including trucking companies that are small, locally owned businesses? What do they stand to gain or lose? Thank you.

Mr. HWANG. Thank you, Mr. Kucinich. According to EPA analysis, standards of this new fuel economy and CO2 program for medium- and heavy-duty trucks will save truck owners quite a bit of money. Semi-truck owners will save an average of $73,000 over the life of the truck. Purchasers of new trucks, fuel savings in the first year will outweigh incremental costs of $6,200, so fuel savings are estimated to be about, for most truck drivers, $10,000.

For drivers that finance their purchase, savings will accrue immediately in the form of lower monthly payments both for the vehicles and fuel costs. So in the first month most truck owners will actually see savings; in the first year they will see the incremental costs paid.

Mr. KUCINICH. Thank you, sir. I just want to say whatever views one holds about environmental protections against greenhouse gas emissions, it would be difficult to dispute the fact that unemployment and a weak labor market are continuing to devastate the future of this country. The bottom line is that job creation benefits from the manufacturing of fuel-efficient vehicles and components will help reduce the massive unemployment rate in this country.

Ohio is at the heart of the auto industry, ranking second only to Michigan in terms of employment in the motor vehicle industry. In Ohio, it is estimated that the higher fuel standards will create at least 23,000 new jobs. I know that in Ohio we have many more

skilled workers who would jump at good jobs in a clean auto manufacturing industry.

Now, we have a chart here. Now, this chart shows every Member's district in this room stands to gain jobs resulting from new technologies. Mr. Hwang, again, can you talk in detail about the array of job opportunities, both inside and outside the auto industry, that will be created as a result of higher fuel efficiency and auto pollution standards?

Mr. HWANG. Yes, I would be glad to. In terms of job opportunities for fuel efficiency, we have seen what has happened to the U.S. auto industry from lack of attention to fuel efficiency; jobs have been lost, market share has been lost. Conversely, we see the benefit already of the U.S. auto industry, U.S. auto supply industry already in a joint study by United Auto Workers, NRDC, and the National Wildlife Federation have identified already 300 facilities in 43 States plus the District of Columbia that are currently responsible for employment of 150,000 workers today that are building components for fuel-efficient and clean advanced and conventional I would add vehicle technologies.

According to a recent forecast, in 2030 the job creation potential will be close to 500,000 for a 54.5 mpg by 2030. That is accruing both from new manufacturing jobs and the fact that there will be more money back in the pockets of consumers equivalent to a $330 tax rebate that they can spend back into the economy.

Mr. KUCINICH. I want to thank the gentleman.

My time has expired. Thank you, Mr. Chairman. And I want to thank each of the witnesses for testifying. Thank you.

[The prepared statement of Hon. Dennis J. Kucinich follows:]

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Opening Statement
Rep. Dennis J. Kucinich, Ranking Member
Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Hearing entitled, "Running on Empty: How the Obama Administration's Green Energy Gamble Will Impact Small Business and Consumers."

October 12, 2011

Good Morning. This summer, the Administration announced an historic agreement with a broad coalition of stakeholders ranging from auto makers to environmentalists to unions to strengthen fuel efficiency and auto pollution standards for new vehicles to be sold from 2017-2025. This follows a similar agreement for cars made in 2012 to 2016, which will save the average American driver three thousand dollars and conserve 1.85 billion barrels of oil over the life of these vehicles. While the proposed standards for 2017-2025 must still be finalized through a formal rulemaking process, the proposed agreement sets up a framework that would effectively double existing fuel efficiency standards by 2025.

It makes sense that so many diverse interests would support higher fuel efficiency standards for cars sold in the United States, because we all benefit from higher standards.

Consumers want higher fuel efficiency vehicles. The Consumer Federation of America – which advocated for even stronger standards than the Administration intends to propose – conducted surveys demonstrating that consumers are willing to pay more for vehicles that are more fuel-efficient and will save them money on gas.

Higher fuel efficiency standards will create jobs. They will require new technology and a demand for more skilled labor in the manufacturing industry. They will result in cars that are more marketable in other countries worldwide, where cars are already more fuel efficient. A new report by Ceres, a coalition of investors, environmental and other public interest groups estimates that by 2030, the higher fuel standards will create at least 23,000 new jobs in Ohio alone, and another 500,000 nationwide. As a whole, the auto industry sustains nearly 800,000 jobs in Ohio, with more than 120,000 Ohioans directly employed by automakers and supply-chain parts manufacturers, and over 13,000 autoworkers employed in clean technology jobs.

Higher fuel efficiency standards will also help push the American economy in the right direction: by lowering our dependence on foreign oil-producing countries and by improving the environment. According to the Administration's own figures, the combined national fuel economy standards will by 2025 reduce oil consumption by 2.2 million barrels a day. And as

transportation is responsible for one-third of U.S. global warming pollution, the new standards will also cut more than 6 billion metric tons of greenhouse gas emissions over the life of the program.

Because these standards will have a positive impact on both the economy and the environment, Americans overwhelmingly support them. Recent polling shows that 85% of voters nationwide support setting stronger fuel efficiency standards, regardless of political affiliation. Polling also shows that 87% of small business owners support the new standards.

As we debate the impact of these standards at today's hearing, I think it is important to keep some historical perspective. Environmental issues have historically been either nonpartisan or bipartisan. Some of our most significant advancements in protecting the environment occurred with Republican participation and leadership. Indeed, many of the actions taken by the Obama administration to curb global warming that are under attack today were proposed by the EPA under the Bush Administration and approved by the Bush Cabinet.

That is why I think it should be very concerning to all Americans that fuel efficiency standards appear to have become a target of the majority. Americans care deeply about environmental protections that safeguard water and air and help secure the health of our planet and those that inhabit it. It is a myth that a clean environment and a strong economy are not compatible. The new national fuel economy standards are an excellent example of how to achieve both.

Mr. JORDAN. I thank the gentleman.

We now yield to the chairman of the full committee, gentleman from California, Mr. Issa.

Mr. ISSA. Thank you, Mr. Chairman. Following up on Mr. Kucinich, there is a lot of humor here and I know that Dennis, my friend, you intend to find humor whenever you can. But what I find humor is that only a couple weeks ago this committee had a hearing in which we had Secretary Hilda Solis and we asked her about green jobs, and she was able to show that this administration, for $250 million, had managed to create 1,000 new green jobs, those being jobs that last a year or more. They created 8,000 if you don't mind the fact they only lasted as long as we paid for the training.

So what I find interesting in Mr. Hwang's testimony is he is talking about green jobs. Well, the problem is the definition of green jobs includes a bus driver, we found out last week. Not the hybrid bus driver, not electric bus, just any form of public transportation. So as I see this administration have a war on the private automobile and the private light truck, I kind of get it that, yes, you will get green jobs, and those green jobs will be forcing people off the road and out of the vehicles they want.

Dr. Lewis, when I compare the mission of the NRDC, which is to save the earth and to hell with the American people—no, I am serious. Sometimes you just get a witness and you look and say I know the organization; I am sure he is knowledgeable and so on. But I have been through this. Clearly, they could care less about whether we still have automobiles. As a matter of fact, we are mandating electric vehicles. Fine. GE bought a bunch of them as long as they got the tax break. But we are doing it when we still don't have a nuclear or other alternative to the 51 percent of our fuel that is created by coal when it comes to electric fuel.

So I want to ask a couple of quick questions. When you look at the total package of subsidies and unfunded mandates that are in the current CAFE increase—and when I say unfunded, the cost to industry that they are going to have in addition to the subsidies and so on—if you were to take that amount of money and set it in a pot and say we will invest in better mileage technology at a given weight, a given performance level, what fraction of that $100 billion a year do you think it would take if the Government started looking and saying we want to be part of the solution, not simply shift cost to people so they can feel good?

I happen to own a Prius. It is a wonderful vehicle. At the end of 50,000 miles, it hasn't paid for itself, and everyone knows it.

Where will we be if we took that other tact, instead of constantly shifting huge amounts of unfunded mandates to auto companies, some of them effectively owned or controlled by the American administration currently in the White House?

Mr. LEWIS. Well, I do think that we would be more prosperous in that the auto industry would be—one of the figures that was cited earlier is that just to comply with the current model year 2012 to 2016 standards requires an investment of $50 billion. Now, what if that money had been invested by the auto industry to meet revealed consumer preferences? I would imagine that some of that would have gone into fuel economy improvements. But some of it

might have gone into other amenities, features, capacities, maybe things we can't even imagine.

So it seems to me, though, that a very good suspicion is that it would have, in the long-term, produced more jobs, more happy customers than the Government trying to determine what it is people should want to buy.

Mr. ISSA. Mr. Grenerth, I am going to follow up with you. As an environmentalist, as somebody who does care about how we get more for less strain on our environment, you mentioned you carry heavy loads. By definition, to get to 55 miles per gallon, isn't a big part of that going to be simply limiting the capacity of vehicles, dumbing down categories so that your category may not be where the real savings is; the category of the vehicle you need to carry heavy loads simply may be the one that they try to find a way not to sell? Isn't that really what you have seen in the past in CAFE standards?

Mr. GRENERTH. Well, there is definitely with Kenworth, for example, streamlined option choices when we are talking about large trucks. They are talking about, to meet these standards, having to eliminate some of the choices that are available, and those are things like, when you get into heavy-haul, people that do—when I say heavy, I am talking 80,000 pounds, typically.

Mr. ISSA. Okay. And I assuming that you already go to alloy wheels, alloy tanks, aerodynamic improvements.

Mr. GRENERTH. I have a few things——

Mr. ISSA. All the things that reduce drag and to reduce weight. But ultimately, if you are carrying a 65,000 pound cargo, that part, there is no way to make it lighter, is there?

Mr. GRENERTH. Absolutely. Or if it is a very large object with a lot of wind resistance. You can't do that.

Mr. ISSA. So when we look at the standard—and we have been talking about cars and light trucks today. When we look at the standards, don't we really have to look at the fuel economy achievements, carrying a specific load, whether that is the vehicle or, in this case, the cargo; look at the low-road industry and the improvements that they continue to make because it is all about carrying more for less, and the heavy truck industry, and haven't we found that basically that is mostly an engine design improvement to optimize efficiency, something that is not in the CAFE standards? The CAFE standards rewards you for simply taking weight out, making light, tiny vehicles, not necessarily producing true efficiency increases. Isn't that what you found in the trucking industry?

Mr. GRENERTH. I found you definitely have to spec your vehicle out for specifically what you are doing. Owner-operators take great care to make sure that the wheels, the transmission, the final gear ratio——

Mr. ISSA. Tire pressure.

Mr. GRENERTH [continuing]. Everything, tires, exactly, and maintain it impeccably as well, too. So, absolutely, you have to do that or you are not going to succeed. It is that simple.

Mr. ISSA. Thank you.

Mr. Chairman, I might comment for the record, because it always seems like the press says you have a vested interest in this. I had two RVs. My old RV, which used the Mercedes diesel, was

a Sprinter, Dodge Sprinter, before they required that actual fuel economy reduction design. So I have experienced my old one versus my new one; and I like the new one and I like a lot of the features. But going to a newer RV with a "next generation engine" and getting less mileage was pretty repugnant to me, and I think to all of us who——

Mr. KUCINICH. Would the gentleman yield?

Mr. ISSA. Of course.

Mr. KUCINICH. I would just like to say while the chairman and I may have some fundamental disagreements about where we go with these policies, I think there are probably very few Members of Congress who have the kind of expertise that you do have in this area. We have to appreciate that.

Mr. ISSA. Thank you. And I thank you for pointing out the wrong way in diesel technology because it is something that I think this committee didn't watch closely enough, and hopefully we will continue to monitor it.

Thank you, Mr. Chairman.

Mr. JORDAN. Thank you.

Mr. Hwang, earlier you referenced material on safety and the idea that lighter cars are in fact, you cited, I think, some study that shows their safety. We would like for you to provide that to the committee at the end of the hearing, if you would be able to do that.

I want to next recognize Mr. Guinta for his 5 minutes.

Mr. GUINTA. Thank you very much, Mr. Chairman.

Mr. Hwang, I read your testimony on page 3. You said by 2030, the 2012 to 2025 national program standards will reduce oil consumption by 3.1 million barrels per day. Can you tell me what expectation you have for vehicle sales annually during that period of time?

Mr. HWANG. Yes, absolutely. The issue of vehicle sales, as currently, the estimate for this year, the sale for calendar year 2011 is 13.6 million units. I believe in 2008, when the auto industry hit rock bottom, the units were about 10 million, 10 point something million units. So this points to the fact that vehicle sales can increase, profits can increase, as well as fuel efficiency.

If you take the agency estimates, as well as our estimates of what the cost of the new technology will be and what the payback time will be in 2025 for the 54.5 mpg, my full expectation is that vehicle sales will continue to increase from the 13.6 million units that we are expecting this year, and my full expectation is that these vehicles will actually be highly desirable for consumers, and because of the payback time attractiveness, that there will be no impact, and if there is any impact, in my opinion, it will be a positive impact, an increase in sales.

Today, the vehicles on the used car market, the most valuable cars on the used car market, according to data from KBB, from Edmunds, and other places, and also NADA, the National Automobile Dealers Association, the most valuable vehicles on the used car market today are fuel-efficient vehicles; the least valuable vehicles on the used car market today are fuel-inefficient vehicles.

The F–150 is a great example. In the new car market, 6 out of 10 buyers are buying the F–150 EcoBoost more fuel-efficient V6 op-

tion. So consumers are willing to pay more for fuel efficiency because of the benefits that it accrues. So my expectation is that sales in 2025 will continue to increase from today's and it will, if anything, vehicle sales will be higher than otherwise.

Mr. GUINTA. Okay, in New Hampshire, where I represent, we roughly have 600 businesses that are related to the motor vehicle industry and we have about 13,000 employees. There was a chart that was put up earlier that showed, with these standards, we would increase jobs in New Hampshire by approximately 2,600. I would love to see an increase in this industry for New Hampshire by 2,600.

What you are saying is, in part, the increase in sales will continue to grow as the economy comes back, but you also said something else. You said this is based also on payback. I want to take just Manchester, the city that I am from. The average family income is somewhere between $55,000 and $60,000. If you are looking at payback and looking at Chevrolet as the example, the Cruze is a $20,000 vehicle, the Volt is $45,760. That is a difference of $25,763. Here is the math that I don't quite understand. The Cruze, $1,682 is what you would spend annually for fuel, and the Volt is $1,000 according to the sticker. So that is a difference, a fuel savings of $682 per year.

My math says that you would have to have that car for 37 years in order to achieve payback. So if I purchase that today, I just had a birthday last month, I am 41, I would be 78 years old by the time I had payback on that vehicle.

I am struggling to see how the marketplace, the consumer, when they walk into a showroom and decide that they want a vehicle with greater fuel efficiency, and I agree with the statement made earlier that fuel does matter, but purchase price matters even more. So if you can find a purchase price that dictates these savings, I think the theory would be that more people would buy these vehicles.

But you are talking right now about almost a $26,000 differential and a 37-year payback. So I struggle to appreciate or understand how that math would work and how the country, over this period of time, would see that 37-year payback as something effective for their family and efficient for their family in cost dollar savings.

Mr. HWANG. Well, very quickly, in 2025—today's technology is not 2025 technology, for one. Second, the calculations that we have done based upon the agency and our own cost estimates, is that in the first month drivers who financed the purchase of their vehicles will see monthly savings in their vehicle payments and fuel costs. Their costs will go down.

Mr. GUINTA. But how is that possible if the vehicle is $45,000 today for the Volt, $45,760. So if I, as an average shopper—what does an average individual spend on a car, $25,000?

Unidentified SPEAKER. Thirty-three.

Mr. GUINTA. Thirty-three. Okay, so just take the 33 number. You are adding, you are going up to $45,000, almost $46,000. I fail to see how the financing would actually monthly payment would come down. I mean, unless you are financing it over a longer period of time, of course it would come down in that perspective.

Mr. HWANG. I believe, sir, the difference in our calculations are that, and my calculations and my estimates based upon the agency's and other publically available research data, we believe that Chevy Volts and other kind of electric vehicles will actually not be required to—no one will have to be required to build those kinds of vehicles to meet the 2025 standards.

In fact, the 2025 standards can be met through relatively conventional gasoline vehicle technology, much less expensive. The example I gave earlier is 50 percent improvement between a Chevy Equinox and a Chevy Trailblazer, and both of those are considered to many people as a sport utility vehicle, when in fact the Equinox is a lighter, more fuel-efficient so-called crossover utility vehicle, 50 percent better improvement in the combined EPA estimated fuel economy.

Mr. GUINTA. Thank you, Mr. Chairman.

Mr. JORDAN. I thank the gentleman from New Hampshire.

Mr. Kelly, you are recognized.

Mr. KELLY. Thanks, Mr. Chairman. I would like to ask we put in the record I have the actual window stickers that would probably help testimony that shows actually the list prices and the fuel savings based on the calculations that is on the label of every vehicle produced. So I would like to submit that because that really adds some authenticity to what we are talking about.

Mr. JORDAN. I thank the gentleman.

Mr. Anwyl, just one question for you. Why, if it is not in the consumers' best interest, if it doesn't seem to be in the best interest of the market, why are the auto manufacturers going along with the whole process, the whole scheme?

Mr. ANWYL. Well, I think that is a good question and it is one I put to them directly. I meet with the car companies on a regular basis. The expression that I hear repeatedly is they felt they had a gun to their head, and by that I think they are referring to the threat of a California opt-out, the California waiver. We have talked about the balkanization of the marketplace, but the cost associated with meeting individual standards across the 50 States would be overwhelming. So the threat of the California waiver is very real and very scary.

Mr. JORDAN. And you have individuals represent the auto manufacturers tell you this personally?

Mr. ANWYL. Yes, absolutely.

Mr. JORDAN. Okay. I thank the gentleman.

I want to thank our panel for a great hearing. Mr. Anwyl.

Mr. ANWYL. I don't know if this is out of order or not, but I do——

Mr. JORDAN. It is, but go ahead.

Mr. ANWYL. Okay. Well, I wanted to characterize, again, my testimony as not saying that consumers don't care about fuel economy, because that is not what I am saying. What I am saying is they care about other things more.

Mr. JORDAN. Exactly.

Mr. ANWYL. And the second thing I would like to offer for the written record would be copies of peer vetted academic research that actually do show that what consumers say in polls and what

they do in the real world are not the same thing. And I feel that that might be a public benefit as an outsider from Washington.

Mr. JORDAN. Without objection.

[The information referred to follows:]

STANFORD
GRADUATE SCHOOL OF BUSINESS

Stanford GSB News

Challenging Work and Corporate Responsibility Will Lure MBA Grads

June 2008

STANFORD GRADUATE SCHOOL OF BUSINESS—A survey of 759 graduating MBAs at 11 top business schools reveals that the future business leaders rank corporate social responsibility high on their list of values, and they are willing to sacrifice a significant part of their salaries to find an employer whose thinking is in synch with their own.

The study by David Montgomery and Catherine Ramus of UC Santa Barbara examines the tradeoffs students are willing to make when selecting a potential employer. They found that intellectual challenge ranked number one in desirable job attributes, while money and location were essentially tied for second, each roughly 80 percent as important as the most important factor. "Had money not been ranked high, I would have thought I'd made a mistake," says Montgomery, the Sebastian S. Kresge Professor of Marketing Strategy, Emeritus.

A reputation for ethical conduct and caring policies towards employees ranked high as well—75 percent as high as intellectual challenge and 95 percent as important as the financial package. "I was frankly surprised that ethics and caring about people came up so important as they did," says study coauthor Montgomery of the Stanford Graduate School of Business. "This augurs well for the character of the 21st century MBA."

Other attributes of corporate social responsibility, including environmental sustainability and care for the community and other stakeholders, was weighted with over half the importance of the top job criterion, intellectual challenge.

Montgomery first looked at MBA job preferences some 30 years ago, but his initial interest was really methodological, he says. He wanted to demonstrate that conjoint analysis could predict behavior with a reasonable degree of accuracy. It does.

Montgomery and the late Dick Wittink, the George Rogers Clark Professor of Management and Marketing at the Yale School of Management and editor of *Journal of Marketing Research*, conducted interviews with MBA students early in the winter quarter of 1978, and used the results to make predictions about the types of jobs the graduates would accept. When the researchers compared the jobs the grads actually accepted the following spring, they found that the results of the conjoint analysis made a correct prediction 68 percent of the time. Chance alone was below 30 percent.

Because conjoint analysis has been shown to successfully predict MBA job preferences and choice, it answers one obvious objection to Montgomery's work: "Aren't the answers influenced by the subject's desire to appear (both to the interviewer and to him/herself) socially conscious or at least, not greedy?" What's more, the recent interviews were not conducted in person, but anonymously online, so there is also less chance of bias contaminating the answers.

Montgomery developed his own software to administer conjoint testing in the 1970s. A more sophisticated, commercial product called Sawtooth Software was used in the recent studies. The software poses questions to the subject; follow-up questions vary according to the content of the previous answer.

Montgomery, the former dean of the School of Business at Singapore Management University, travels widely and uses those opportunities to gather data. During appearances at business conferences in such venues as Seoul, Singapore, and Dubai he asked the largely American audiences how much of their salary they thought graduating MBA students would forego to work with an employer who shared their values of corporate responsibility. The majority (55.8 percent) thought the grads would sacrifice between zero and $3,000 a year, while just 5.4 percent put the number at $9,000 a year or more.

Seem accurate? It wasn't. The attendees greatly underestimated the dollar amounts the grads would be willing to give up, a finding that shows the results of the broader study are far from intuitive.

Montgomery and Ramus broke down corporate responsibility into four categories: caring about employees, caring for stakeholders (such as community residents), environmental sustainability, and ethical business conduct. A fifth category was a model that shared all of the above characteristics.

Marketing

Research by

David B. Montgomery
Sebastian S. Kresge
Professor of Marketing
Strategy, Emeritus
Stanford Graduate School of
Business

Catherine A. Ramus
UC Santa Barbara

"Calibrating MBA Job Preferences," David B. Montgomery and Catherine A. Ramus, working paper, 2008.

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The researchers found that the students expected to earn an average of $103,650 a year at their first job. Nearly all (97.3 percent) said they would be willing to make a financial sacrifice to work for a company that exhibited all four characteristics of social responsibility. They said they would sacrifice an average of $14,902 a year, or 14.4 percent of their expected salary.

Montgomery concedes that the students may have inflated the dollar amounts they would be willing to sacrifice, but because those numbers are very consistent with other data within the study, he said he believes the overstatements are not large.

Montgomery says he finds the results hopeful. "I wouldn't have been surprised if the financial package had turned out to be most important," he says.

As for the future, he and his colleague are broadening their sample and looking to see how gender and nationality figure into MBA job choices. His preliminary take: "It's not a 'Men are from Mars and Women are from Venus' sort of thing," though women do seem more concerned with social factors than men are, he says. Regional variations exist as well, with Europeans less likely to be concerned with attributes of corporate social responsibility than their counterparts in North America.

It appears, then, that recruiters may need to fine-tune their pitches to take into account the rising social consciousness of business students.

—Bill Snyder

FOR FURTHER INFORMATION:
Helen K. Chang , 650-723-3358,
Fax: 650-725-6750

- "Including Corporate Social Responsibility, Environmental Sustainability, and Ethics in Calibrating MBA Job Preferences," David B. Montgomery, 2007, GSB Research Paper 1981.
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Mr. JORDAN. Since we are going down the list, go ahead, Mr. Lewis.

Mr. LEWIS. Okay. Well, thank you very much. There is a cartoon that I would like to send the committee which shows a man who looks very depressed, and his friend says what is wrong? And he says, everybody I talk to lies to me. Why? Are you a defense attorney? No, I am a pollster.

Mr. JORDAN. Here we go.

Mr. LEWIS. But a point that I would like to make in regard to Chairman Issa's question about an unfunded mandate, you see, if I remember the figure from Mr. Hwang's testimony, EPA and NHTSA are saying that the truck driver will save something like $68,000 over the lifetime of the truck, netting out all the costs with the savings.

Mr. JORDAN. Mr. Grenerth disagrees.

Mr. LEWIS. Right. Okay. Now, the problem, though, is what if EPA and NHTSA are wrong? What if the reliability problems that Mr. Grenerth talked about are just horrendous and he actually ends up with the short end of the stick, paying more for a truck that costs him more to operate? And then what about the manufacturer who then finds that there is no market for these vehicles?

If EPA and NHTSA were actually providing a guarantee, we guarantee that you will save $68,000 over the life of the truck and, if not, we will refund your purchase to that amount, it would be a whole different story. But my point is that the agencies don't assume any of the risk. And we know that when people make decisions, including regulatory decisions, and other people bear all the risks, well, then factors like ideology get to play a bigger part than prudence.

Mr. JORDAN. Well said.

In the spirit of bipartisanship, I will give you 30 seconds, Mr. Hwang and Mr. Grenerth. One last quick statement because we do want to get to our next panel quickly because I have to leave shortly.

Mr. HWANG. Yes, much appreciated, Chairman Jordan. I will just say, in terms of your request for the safety data, that is all in my testimony, and I am glad to provide the committee with even more data, and I am also glad to provide the press release from a safety expert named Clarence Ditlow that reinforces the position.

Mr. JORDAN. Great.

Mr. Grenerth.

Mr. GRENERTH. Yes, absolutely. Appreciate it. I would just say earlier Mr. Kucinich was asking about the cost in Ohio and all that. We are talking about basically $50,000 being added to the cost of a vehicle. That is a huge problem for a small business owner.

And regarding EPA's attitude about this and not including truck drivers, to me it is as if you are a doctor and we give you a drug without consulting you. They are trying to force us to take this medicine, if you will, that we have no idea what is going to happen. It is unproven technology we are going to rely on and that could be fatal to my business.

Mr. JORDAN. Thank you very much for taking the time to come today, Mr. Grenerth, and all of you as well. We appreciate your great witness panel.

We will quickly get ready for the next panel because we have to move very fast.

The committee will come back in order. I want to thank our witnesses for being here and for your patience. We thought the first panel was great and we had, as you can see, a full committee. But we now want to welcome you.

Our first witness is the Honorable David Strickland. He is the Administrator of the National Highway Traffic Safety Administration. We also have with us the Honorable Gina McCarthy, who is the Assistant Administrator for the Office of Air and Radiation at the Environmental Protection Agency; and also Mrs. Margo Oge, who is the Director of the Office of Transportation and Air Quality at the EPA.

So let's quickly swear you in. If you would please stand and raise your right hands.

[Witnesses sworn.]

Mr. JORDAN. All right, let the record show that all witnesses answered in the affirmative.

Mr. Strickland, you know the routine here. You have 5 minutes. Fire away with that high-tech gadget there in front of you.

STATEMENTS OF DAVID STRICKLAND, ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION; GINA MCCARTHY, ASSISTANT ADMINISTRATOR FOR THE OFFICE OF AIR AND RADIATION, ENVIRONMENTAL PROTECTION AGENCY, ACCOMPANIED BY MARGO OGE, DIRECTOR OF THE OFFICE OF TRANSPORTATION AND AIR QUALITY, ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF DAVID STRICKLAND

Mr. STRICKLAND. Thank you. On the part of Secretary LaHood and the entire Department of Transportation and my staff at the National Highway Traffic Safety Administration, we appreciate this opportunity to testify before you today on our efforts to improve the corporate average fuel economy [CAFE], standards.

Now, this joint rulemaking with the Environmental Protection Agency highlights the very best in the rulemaking process. This process created greater transparency with early technological engagement with stakeholders assisted these agencies to develop the most informed proposal possible to maximize economic and environmental benefits without impacting safety or vehicle choice.

Now, Ms. McCarthy and Ms. Oge will speak to a lot of the aspects about our work and process-wise. I want to take my time in oral statement to talk about the safety perspective, which is my agency's core mission.

We at the National Highway Traffic Safety Administration do not require any manufacturer to do anything that would have a negative impact on safety. Past safety tradeoffs occurred because manufacturers chose at the time to build smaller and lighter vehicles to help them meet the CAFE standards in years past.

Staying true to our safety-first mission, the National Highway Traffic Safety Administration moved from a flat fuel economy standard that subjects each manufacturer to a single standard, regardless of differences in their product mix, to an attribute-based standard. This attribute system, which is used as the vehicle's footprint as the foundation for the standard, was then mandated by the Energy Independence and Security Act in 2007.

Under this revised system, cars and light trucks have fuel economy targets based on a specific vehicle's footprint, which is roughly the area between the points at which the tires touch the ground. As a result, manufacturers no longer have an incentive to try to average out sales of larger vehicles by producing more small vehicles. Every additional small vehicle actually increases a manufacturer's overall compliance obligation under the new attribution system.

In our analysis, then, we try to make sure that the proposed standards are safety-neutral in two ways: first, we set footprint-based standards that do not encourage manufacturers to build smaller vehicles to even out the larger ones; and, second, although manufacturers can choose whatever technologies they want to meet our standards, we demonstrate that in our analysis there is a feasible technology path that the industry could pursue to meet the standards that do not require unsafe levels of mass reduction. The National Highway Traffic Safety Administration will be continuing this safety-neutral approach in the upcoming CAFE proposal as we undertook this work in model year standards for 2012 through 2016.

Now, in addition to building on the safety efforts that we founded in 2012 to 2016, working in collaboration with the Environmental Protection Agency, we also were tasked to make sure that this process had the ability to pull forward the hard work that we achieved in model years 2012 to 2016 very successfully. That work was almost 14 constant months and, frankly, the work for model years 2017 to 2025 has actually been a very intensive and very transparent 2-month effort.

After several milestones, including the Notice of Intent that was issued in September of last year, also the Joint Interim Technical Assessment Report, we, along with the Environmental Protection Agency, looked at the potentials of cost, effectiveness, and lead time requirements for over 30 technologies that could be applied toward the new standards in 2025. These particular assessments describe the Agency's initial assessment of what could be done, recognizing that we received comments from more than 30 organizations and more than 100,000 individuals.

Following this opportunity for public notice and comment through these processes, we published a supplemental Notice of Intent in December 2010 which highlighted many of the key comments received in response to the initial Notice of Intent and to the initial Technical Assessment Report. It is that work, us and the Environmental Protection Agency, working in consultation with the California Air and Resources Board, where we undertook an opportunity to have a forward-reaching opportunity to speak to key stakeholders to better inform the upcoming proposal for model years 2017 to 2025. This is something exactly that the President of the United States asked for us to do in his executive order and,

frankly, shows the best aspects of how rulemaking should be made clear, transparent, and forward thinking.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Strickland follows:]

Statement of the Honorable David L. Strickland
Administrator, National Highway Traffic Safety Administration

House Committee on Oversight and Government Reform
Subcommittee on Regulatory Affairs,
Stimulus Oversight and Government Spending

October 12, 2011

Good morning Mr. Chairman, Ranking Member Kucinich and Members of the subcommittee. I appreciate this opportunity to testify before you today on the Department of Transportation's efforts to improve Corporate Average Fuel Economy (CAFE) standards.

Before I begin my comments on improving fuel economy, let me assure you that safety is at the core of everything we do. It is central to Secretary LaHood and the National Highway Traffic Safety Administration (NHTSA). Safety is always at the forefront of all of the agency's programs and activities, and we have designed our upcoming CAFE proposal so that manufacturers can comply in a way that will certainly be safety-neutral—we absolutely will not require any manufacturer to do anything that would have a negative effect on safety.

Statutory Authority

As you know, the *Energy Policy Conservation Act* (EPCA) and the *Energy Independence and Security Act* (EISA) provide NHTSA with the authority to set fuel economy standards for cars and light trucks. Improving vehicle fuel economy is one of the key ways to reduce our reliance on oil. Furthermore, reducing total petroleum use decreases our economy's vulnerability to oil price shocks and enhances our energy security. The need to reduce energy consumption is more crucial today than it was when EPCA was enacted in the mid-1970s. The share of U.S. oil consumption for transportation is approximately 71 percent. U.S. gasoline consumption is often viewed as a non-discretionary expense. After all, if you need to drive to get to work, you don't have much of a choice when gasoline prices go up. As a result, when gasoline gets more expensive, it takes up a greater proportion of the consumer's income. Because much of the extra expenditures on gasoline accrue to producers of imported oil, increases in gasoline prices also tend to reduce domestic income for the economy as a whole.

Model Year 2011, 2012-2016 CAFE Standards

We made significant progress when, under the Obama Administration, NHTSA significantly raised fuel economy standards for Model Year (MY) 2011 to a combined 27.3 miles per gallon (mpg). We built on this by enhancing fuel economy standards for MY 2012-2016, raising standards to the equivalent of 34.1 mpg. The MY 2012-2016 rules were part of a coordinated program with the Environmental Protection Agency (EPA) that will achieve substantial improvements in fuel economy and reductions of greenhouse gas emissions. These improvements are based on technology that will be commercially available and that can be

incorporated at a reasonable cost. The MY 2012-2016 rulemaking also provides regulatory certainty and consistency for the automobile industry by setting a National Program with EPA and that California recognizes as the Federal standard.

With the MY 2012-2016 program, NHTSA provides vehicle manufacturers with significant flexibilities making it easier and less costly for them to comply with the standards. Manufacturers may earn credits by over-complying with a standard in a given model year, and may then either apply those credits to achieve compliance in any of the three model years before or five model years after the year in which they were earned. They can also transfer the credits from the manufacturer's car fleet to the truck fleet or vice versa; or trade (i.e., sell) them to another manufacturer. Additionally, manufacturers can continue to earn credits for producing alternative or flex-fueled vehicles.

In terms of benefits, NHTSA projects that over the lifetimes of the passenger cars and light trucks sold in MY 2012-2016, the CAFE standards will save 61.0 billion gallons of fuel. NHTSA estimates that the lifetime benefits of the CAFE standards will total over $182 billion, including fuel savings, while the net costs of the standards will total approximately $52 billion.

MY 2017-2025 CAFE Standards

Building on the MY 2012-2016 effort, President Obama tasked NHTSA and EPA with developing fuel economy standards for MY 2017-2025, which we will be proposing soon. Like the MY 2012-2016 standards, the MY 2017-2025 National Program is designed to provide regulatory certainty and consistency across the country for the automobile industry. The first milestone in this effort was issuing the Notice of Intent (NOI) in September of last year. This announcement also included the Joint Interim Technical Assessment Report (TAR). The TAR presented an initial assessment by NHTSA and EPA of the potential cost, effectiveness of, and lead-time requirements for over 30 technologies that could be available to be applied toward new standards through MY 2025. We determined in the TAR that a variety of automotive technologies are available, or are expected to be available, to support an increase in fuel economy and reduction in greenhouse gas emissions in the MY 2017-2025 timeframe. The initial assessment in the TAR produced projected vehicle cost estimates of approximately $800 to $3,500 and lifetime savings due to reduced fuel costs of about $5,000 to over $7,000, depending on the phase-in stringency scenario and the technology pathway.

The NOI and the TAR described the agencies' initial assessment of potential standards for increased fuel efficiency and identified additional work the agencies would undertake over the next few months to refine that assessment. The NOI invited the public to submit comments on "all aspects of [the] Notice and the accompanying Interim Technical Assessment Report." The agencies received comments from more than 30 organizations and more than 100,000 individuals. Following the opportunity for public comment on the TAR and NOI, the agencies developed and published a Supplemental NOI (SNOI) in December 2010 highlighting many of the key comments received in response to the NOI and the TAR. The Supplemental NOI also discussed plans for many of the key technical analyses that have been and will be undertaken in developing the upcoming proposed rulemaking.

Since the publication of the SNOI in December 2010, NHTSA and EPA, working with the California Air Resources Board (CARB), have engaged in discussions with major stakeholders, including auto manufacturers, automotive suppliers, environmental groups, and the United Auto Workers to inform a second supplemental Notice of Intent. These meetings provided the agency with critical information to develop a framework for a proposal.

For example, these stakeholder meetings enabled NHTSA and EPA to understand how automakers can use advanced technologies to transform the vehicle fleet. To facilitate this transformation, the agencies are considering a number of incentive programs to encourage early adoption and introduction into the marketplace of advanced technologies that represent "game changing" performance improvement, including electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, and hybrid electric large pickups.

NHTSA shares your high regard for transparency and public participation in the rulemaking process, and we value input from a diverse group of stakeholders throughout the rulemaking process. We are also mindful of the legal requirements that govern the rulemaking process and are strictly adhering to those requirements in this rulemaking, as we do with respect to all of our rulemakings. When the Notice of Proposed Rulemaking is announced in the coming weeks, the public will certainly have an opportunity to comment on every aspect of the agencies' analysis and the proposal. CAFE proposals draw a lot of comments – we expect to see comments from consumers, small businesses, manufacturers, suppliers, and many, many others. NHTSA and EPA will carefully consider these comments before making any final decisions.

Attribute-Based Standards to Improve Safety

The CAFE program has historically been criticized because it gave some manufacturers an incentive to reduce vehicle weight or make other changes to their vehicle line up only intended to classify an increasing share of vehicles as light trucks. Some of these outcomes likely compromised vehicle safety. In response, NHTSA phased in some changes to the CAFE program beginning with light trucks in the 2008 model year that address these safety concerns and allow manufacturers maximum flexibility to meet the fuel economy standards in the years to come. Past safety tradeoffs occurred because manufacturers chose, at the time, to build smaller and lighter vehicles to help them meet the CAFE standards back then. These smaller and lighter vehicles did not fare as well in crashes with larger and heavier vehicles.

Staying true to our safety first mission, NHTSA moved from a flat fuel economy standard that subjects each manufacturer to a single standard, regardless of differences in their product mix, to an attribute-based standard. Under the reformed system, both cars and light trucks have fuel economy targets customized to their specific vehicle footprint, which is roughly the area between the points at which the tires touch the ground.

Under the reformed system, vehicles with smaller footprints have more stringent fuel economy targets, while vehicles with larger footprints have less stringent targets. Because a manufacturer's overall compliance obligation is determined by averaging the targets of all of the

vehicles that they produce for sale in the United States, the reformed program encourages the manufacturers to meet higher fuel economy standards by adopting fuel-saving technologies across its entire line up rather than trying to "average out" sales of larger vehicles by producing more smaller vehicles.

Most importantly, the reformed CAFE program is better positioned to protect vehicle safety as the fuel economy standards rise. Our statistical research has found that fatality risk in crashes increases with reductions in vehicle footprint, so the reformed program mitigates that risk by reducing the incentive to make vehicles' footprints smaller.

In our analysis, then, we try to make sure that the proposed standards are safety-neutral in two ways. First, we set footprint-based standards that do not encourage manufacturers to build smaller vehicles just to even out larger ones. And second, when we are determining what mpg levels we think are maximum feasible, although manufacturers can choose whatever technologies they want to meet the standards, we demonstrate in our analysis that there is a feasible technology path that the industry could pursue to meet the standards that does not require unsafe levels of mass reduction. NHTSA will be continuing this safety-neutral approach in the upcoming CAFE proposal. I am confident that manufacturers will continue to build safe vehicles, and avoid any safety tradeoffs in order to achieve improved fuel economy.

In February of this year, NHTSA also held a workshop that brought together experts to discuss some of the overarching questions on vehicle mass-size-safety. Experts from government, academia, and industry discussed how the agency can evaluate the effect of vehicle mass and size on safety, and how consideration of vehicle structural crashworthiness, occupant safety, and advanced vehicle design can help inform NHTSA's understanding of what levels of mass reduction might be appropriate to consider for CAFE rulemaking. Manufacturers may need to make the lighter vehicle stiffer to protect against intrusion. But making a vehicle stiffer affects both the forces on the vehicle's occupants in a crash and the forces that the stiffer vehicle exerts on the vehicles it crashes into. A number of research projects currently are ongoing at NHTSA and other agencies and in the private sector to help to resolve these issues. NHTSA is considering the presentations of the workshop in developing the upcoming CAFE proposal.

As indicated earlier, NHTSA takes the issue of safety very seriously. I committed to ensuring that the agency takes into account the safety implications of all agency decisions and actions. The MY 2017-2025 fuel economy proposal will be no different.

Thank you again for your time and I look forward to your questions.

Mr. JORDAN. I thank the gentleman.
Ms. McCarthy, you are welcome to go.

STATEMENT OF GINA MCCARTHY

Ms. MCCARTHY. Chairman Jordan, members of the committee, first, thank you for inviting Margo Oge to testify today about motor vehicle regulations that are being developed jointly by EPA and NHTSA that will reduce greenhouse gas emissions and improve fuel economy for cars and light-duty trucks, as well as medium- and heavy-duty trucks and engines. These motor vehicle regulations are a great success story for this country. They will save consumers and small businesses money; they will lower the cost of transporting goods; they will reduce our dependence on foreign oil; and they will help protect the environment.

Combined, the model year 2011 to 2025 light-duty vehicles are estimated to save Americans $1.7 trillion in fuel costs and reduce our need for oil by a total of 12 billion barrels. Ultimately, our savings will reach nearly 4 million barrels a day. That is almost as much as we import from all OPEC countries combined. The regulations are supported by a wide variety of stakeholders, including the industries they regulate, the labor unions representing workers in those industries, environmentalists, and States.

The first of these regulations was last year's joint EPA-NHTSA rulemaking for model year 2012 to 2016 vehicles. This national program allows manufacturers to build a single national fleet that satisfies EPA, NHTSA, and California standards. It is common sense, good government approach that harmonizes three different regulatory programs. EPA standards for model year 2016 light-duty vehicles are projected to achieve an average tailpipe CO2 compliance level of 250 grams of carbon dioxide per mile, equivalent to a fuel economy level of 35.5 mile per gallon if they are met only through fuel economy improvements.

Over the lifetime of the vehicles, these standards are projected to save 1.8 billion barrels of oil and reduce greenhouse gas emissions by about 960 million metric tons. Consumers and small businesses buying model year 2016 vehicles are projected to average net savings of $3,000 over the life of the vehicle. Those fuel savings far outweigh the initial additional cost of the vehicle.

We are now working on the President's request to extend this national program to 2017 to 2025 vehicles. This past July we published a preliminary framework for this program, including standards that could lead to a projected EPA fleetwide model year 2025 compliance level of 163 grams per mile CO2, which is equivalent to 54.5 mile per gallon, if reductions were achieved through fuel economy improvements. We project these standards set at these levels would reduce greenhouse gas emissions by approximately 2 million metric tons and save 4 billion barrels of oil over the lifetime of the vehicles, while still allowing consumers to have access to the full range of vehicle choices that they have today.

The preliminary elements of the 2017 to 2025 program were informed by extensive public process over the course of the past year that included publication of a technical assessment of a range of standards, several notices published in the Federal Register, and extensive dialog with a wide range of stakeholders. The program is

supported by letters from no less than 13 CEOs of auto companies, as well as the California Air Resources Board, which again intends to accept compliance with the Federal program as meeting California's standards. EPA and NHTSA will soon publish a Joint Notice of Proposed Rulemaking, seek an additional public comment before making any final decision on the 2017 to 2025 greenhouse gas and CAFE standards.

The third set of regulations is a joint EPA and NHTSA rulemaking that established greenhouse gas and fuel efficiency standard for model year 2014 to 2018 medium- and heavy-duty trucks and engines. Supporters of this program include engine and truck manufacturers, the American Trucking Association, environmental groups, and California. We estimate that these standards will save about 530 million barrels of oil, they will reduce CO2 emissions by about 270 million metric tons, and help vehicle owners achieve $50 billion in total fuel savings over the lifetime of these vehicles. A semi-truck operator could pay for the technology upgrades in under a year and realize net savings of $73,000 to reduce fuel costs over the truck's useful life.

Efforts like this national program represent monumental achievement for America and American families. History has shown that we can clean up pollution, preserve jobs, help grow our economy all at the same time.

Again, I appreciate the opportunity to provide the Agency's views on this matter and I look forward to answering questions. Thank you very much.

[The prepared statement of Ms. McCarthy follows:]

Regina McCarthy
Assistant Administrator for Air and Radiation
And
Margo Oge
Director, Office of Transportation and Air Quality
Office of Air and Radiation

U.S. Environmental Protection Agency

Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Committee on Oversight and Government Reform
U.S. House of Representatives

October 12, 2011
Written Statement

Chairman Jordan, Ranking Member Kucinich, and Members of the Committee, thank you for inviting me to testify today to discuss recent and planned vehicle greenhouse gas (GHG) and fuel economy standards, jointly developed by the Environmental Protection Agency (EPA) and the Department of Transportation (DOT).

On March 30th the President released the Blueprint for a Secure Energy Future, which recognizes the importance of producing domestic oil safely and responsibly, while also taking steps to reduce our dependence on oil, wherever it comes from, by leveraging cleaner, alternative fuels and greater energy efficiency. We have already made progress towards these objectives. Last year, America produced more oil than we had since 2003, and the Administration announced ground-breaking greenhouse gas and fuel economy standards for cars and light-duty trucks covering model years (MY) 2012-2016. These standards, combined with the standards EPA and NHTSA will soon propose for MY 2017- 2025 cars and light-duty trucks and MY 2011 NHTSA fuel economy standards, are estimated to dramatically cut the oil we consume, saving billions of barrels of oil and saving American families well over a trillion dollars in fuel costs

over the life of the vehicle model years covered.[1] This is a clear benefit to consumers, and will reduce operating cost for small businesses by providing substantial savings in fuel costs. In addition small businesses in the regulated industry are exempt from the greenhouse gas standards.

The MY 2012-16 Light Duty Vehicle Standards

Last year, EPA set MY 2012-16 Light Duty Vehicle Greenhouse Gas standards under the Clean Air Act in a joint rulemaking with the National Highway and Traffic Safety Administration (NHTSA), which set MY 2012-16 fuel economy (CAFE) standards. California has agreed to accept compliance with the EPA standards as compliance with its own standards. This suite of federal standards forms a National Program that is a common-sense approach to facilitate auto manufacturers' compliance with several government programs. Manufacturers can build a single light-duty national fleet that satisfies NHTSA's fuel economy program, EPA's greenhouse gas program, and the State of California's greenhouse gas emissions standards.

The National Program has garnered wide-spread support as a model for how government can work effectively with a wide range of stakeholders to develop thoughtful, data-driven regulations that benefit consumers, improve the environment and energy security, and are supported by the regulated industry. I am proud of how EPA and NHTSA have successfully worked together to create common-sense regulations that benefit all Americans.

EPA's standards for MY 2016 light duty vehicles are projected to achieve an average tailpipe CO2 compliance level of 250 grams of carbon dioxide (CO_2) per mile for cars and trucks combined. This is equivalent to a fuel economy level of 35.5 miles per gallon (mpg) if the automotive industry were to meet this CO_2 level all through fuel economy improvements.

[1] "Driving Efficiency: Cutting Costs for Families at the Pump and Slashing Dependence on Oil," July 2011, available at http://www.whitehouse.gov/sites/default/files/fuel_economy_report.pdf

The National Program is projected to provide numerous benefits. Over the lifetime of the vehicles sold during MY 2012-2016, the combined EPA and NHTSA standards are projected to save 1.8 billion barrels of oil and reduce U.S. greenhouse gas emissions by about 960 million metric tons. [2] As a result of these standards, greenhouse gas emissions from the U.S. light-duty fleet in 2030 are projected to be approximately 21 percent lower than they would have been in the absence of the National Program.[3]

Reducing gasoline usage will save consumers and small businesses money. Consumers buying MY 2016 vehicles would have average net savings of $3,000 over the life of the vehicle – the $4,000 in projected fuel savings over the lifetime of the vehicle more than offset the projected $950 increase in the initial cost of a new MY 2016 vehicle. U.S. consumers who purchase their vehicle outright will save enough in lower fuel costs over the first three years to offset the increases in vehicle costs. U.S. consumers who use a 5-year loan to borrow money to purchase a vehicle will also save. The projected monthly fuel savings exceed the projected increased loan payments necessary to cover the increased cost of the vehicle. [4]

The MY 2017-25 Light Duty Vehicle Standards

Soon after the completion of the successful MY 2012-2016 rulemaking, in May 2010, the President, with support from the auto manufacturers,[5] requested that EPA and NHTSA work to extend the National Program to MY 2017-2025 light duty vehicles. The agencies were requested to develop "a coordinated national program under the Clean Air Act (CAA) and the Energy Independence and Security Act of 2007 (EISA) to improve fuel efficiency and to reduce

[2] See 75 Fed. Reg. 25328 (May 7, 2010).
[3] See 75 Fed. Reg. 25488, (May 7, 2010).
[4] See 75 Fed. Reg. 25519-25520 (May 7, 2010).
[5] The letters of support from these organizations can be found at www.epa.gov/otaq/climate/regulations.htm

greenhouse gas emissions of passenger cars and light-duty trucks of model years 2017-2025."[6] The President requested that the two federal agencies work with the State of California to develop and publish a joint technical assessment that would provide technical input to the rulemaking effort. EPA and NHTSA have taken a number of steps to develop a joint rulemaking for the MY 2017-25 standards, and intend to issue a joint proposal this fall.

In September 2010, following extensive dialog with a wide range of stakeholders, EPA and NHTSA published a Joint Interim Technical Assessment Report (TAR) with the California Air Resources Board (CARB). The TAR included a preliminary assessment of the costs and benefits of achieving a range of 3 to 6 percent per year improvement in greenhouse gas emissions from MY 2017 to 2025 light duty vehicles. At that time, EPA and NHTSA also issued a Joint Notice of Intent (NOI) discussing their intention to propose MY 2017-2025 GHG and CAFE standards. The agencies requested public comment on all aspects of the NOI and the TAR.[7]

Engaging in technical discussions with a wide range of stakeholders was critical to ensure this data-intensive review was done to the highest scientific standards. With this in mind, EPA, NHTSA, and CARB held numerous meetings with a wide variety of stakeholders to gather input to consider in developing the TAR, and to ensure that the agencies had available to them the most recent technical information. These stakeholders included the automobile original equipment manufacturers (OEMs), automotive suppliers, non-governmental organizations, states and state organizations, infrastructure providers, and labor unions.

In December 2010, EPA and NHTSA published a supplemental NOI, which summarized the public comments received on the September NOI and TAR, as well as other information

[6] The Presidential Memorandum is found at: http://www.whitehouse.gov/the-press-office/presidential-memorandum-regarding-fuel-efficiency-standards.
[7] 75 Fed. Reg. 62739 (October 13, 2010).

provided by the ongoing extensive outreach to stakeholders.[8] The supplemental NOI provided the public with the agencies' plans to continue gathering stakeholder input as well as a range of technical data and analysis that was underway to continue developing a proposal for extending the National Program to MY 2017-2025 light duty vehicles.

This past July, EPA and NHTSA issued a second supplemental NOI (SNOI), which provided a framework for standards and regulatory incentives and flexibilities the agencies intend to propose for public comment; including standards which could lead to a projected EPA fleet-wide MY 2025 compliance level of 163 g/mile CO2. The elements of this supplemental NOI were informed by yet additional input from a wide range of stakeholders, and are supported by letters from CEOs of 13 auto companies as well as the California Air Resources Board, which intends to model its future program on the elements outlined in the SNOI, and to defer to the federal program as it is doing for Model Years 2012-2016. This SNOI was published on August 9, 2011. [9]

The SNOI provides a detailed framework for a proposal of GHG and CAFE standards for MY2017-2025. It makes clear that the federal agencies will be issuing a joint Notice of Proposed Rulemaking, and will hold hearings and seek additional public comments, before making any final decisions on the GHG and CAFE rules. The agencies project that the framework for standards under consideration for MY 2017- 2025 vehicles would further reduce America's dependence on foreign oil and result in significant savings at the pump for American families. Importantly, under the new standards, agencies believe that consumers will continue to have access to the same full range of vehicle choices that they have today.

[8] 75 Fed. Reg. 76337 (December 6, 2010).
[9] 76 Fed. Reg. 48758 (August 9, 2011).

The standards under consideration are projected to reduce greenhouse gas emissions by approximately 2 billion metric tons and save approximately 4 billion barrels of oil over the lifetime of MY 2017-2025 vehicles. These standards would provide significant benefits to American consumers by reducing the costs they would pay to fuel these more efficient vehicles.

When EPA and NHTSA issue the proposed standards, we will make available for public comment the same type of analyses of the effects of the rule on vehicle sales and consumers that we did when we proposed the MY 2012-16 standards. During the public comment period, consumers, small businesses and others are invited to submit comments regarding the effect of the proposed standards. EPA and NHTSA will carefully consider any such comments before making any final decisions on the standards.

Heavy Duty Vehicles and Engines

EPA and NHTSA also worked together on a joint rulemaking to establish fuel efficiency and GHG standards for MY 2014-18 medium and heavy duty trucks and engines. This program has support from the trucking industry, including engine and truck manufacturers, the American Trucking Association, the State of California, and leaders from the environmental community. This groundbreaking national program will improve energy and national security, benefit consumers and businesses, reduce harmful air pollution, and lower costs for transporting goods while spurring job growth and innovation in the clean energy technology sector.

We estimate that these combined standards will save about 530 million barrels of oil over the lifetime of these vehicles, reduce CO2 emissions by about 270 million metric tons, and help vehicle owners achieve $50 billion in total fuel savings over the lifetimes of these vehicles.[10] These standards will reduce fuel consumption and GHGs, and provide fuel cost savings for drivers in a range of trucks, including large pick-up trucks and vans, long-haul trucks, and

[10] See 76 Fed. Reg. 57106 (September 15, 2011).

vocational trucks such as buses and refuse haulers. A semi-truck operator could pay for the technology upgrades in under a year and realize net savings of $73,000 through reduced fuel costs over the truck's useful life. In addition, EPA estimates the standards will improve air quality by reducing particulate matter and ozone, resulting in societal benefits ranging from about $1.3 billion to $4.2 billion in 2030.

The Clean Air Act

These mobile source regulations are a continuation of the 40-year Clean Air Act success story. For 40 years, the Clean Air Act has allowed steady progress to be made in reducing the threats posed by pollution and allowing us all to breathe easier. In the last year alone, programs implemented pursuant to the Clean Air Act Amendments of 1990 are estimated to have reduced premature mortality risks equivalent to saving over 160,000 lives; spared Americans more than 100,000 hospital visits; and prevented millions of cases of respiratory problems, including bronchitis and asthma.[11] They also enhanced productivity by preventing 13 million lost workdays; and kept kids healthy and in school, avoiding 3.2 million lost school days due to respiratory illness and other diseases caused or exacerbated by air pollution.[12]

However, few of the emission control standards that gave us these huge gains in public health were uncontroversial at the time they were developed and promulgated. Most major rules have been adopted amidst claims that that they would be bad for the economy and bad for employment.

[11] USEPA (2011). The Benefits and Costs of the Clean Air Act from 1990 to 2020. Final Report. Prepared by the USEPA Office of Air and Radiation. February 2011. Table 5-5. This study is the third in a series of studies originally mandated by Congress in the Clean Air Act Amendments of 1990. It received extensive peer review and input from the Advisory Council on Clean Air Compliance Analysis, an independent panel of distinguished economists, scientists and public health experts.
[12] Ibid.

Some may find it surprising that the Clean Air Act also has been a good economic investment for our country. In contrast to doomsday predictions, history has shown, again and again, that we can clean up pollution, create jobs, and grow our economy all at the same time. Over that same 40 years since the Act was passed, the Gross Domestic Product of the United States grew by more than 200 percent.[13]

Some would have us believe that "job-killing" describes EPA's regulations. It is misleading to say that enforcement of the Clean Air Act is bad for the economy and employment. It isn't. Families should never have to choose between a job and healthy air. They are entitled to both.

Studies led by Harvard economist Dale Jorgenson in 2001 to 2002 found that implementing the Clean Air Act actually increased the size of the US economy because of lower demand for health care and a healthier, more productive workforce.[14] By 2030 the Clean Air Act will have prevented 3.3 million work days lost and avoided the cost of 20,000 hospitalizations every year, based on recent EPA estimates.[15] A study that examined four regulated industries (pulp and paper, refining, iron and steel, and plastic) concluded that, "We find that increased environmental spending generally does not cause a significant change in employment."[16]

The EPA's updated public health safeguards under the Clean Air Act will encourage investments in labor-intensive upgrades that can put current unemployed or under-employed Americans back to work. Environmental spending creates jobs in engineering, manufacturing,

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[13] Bureau of Economic Analysis, National Economic Accounts, "Table 1.1.5. Gross Domestic Product," http://bea.gov/national/index.htm#gdp

[14] Dale W. Jorgenson Associates (2002a). *An Economic Analysis of the Benefits and Costs of the Clean Air Act 1970-1990. Revised Report of Results and Findings.* Prepared for EPA. http://yosemite.epa.gov/ee/eerm.nsf/vwAN/EE-0565-01.pdf/$file/EE-0565-01.pdf.

[15] Jorgenson (2002a)

[16] Morgenstern, R. D., W. A. Pizer, and J. S. Shih. 2002. "Jobs versus the Environment: An Industry-Level Perspective." *Journal of Environmental Economics and Management* 43(3):412-436.

construction, materials, operation and maintenance. For example, EPA vehicle emissions standards directly sparked the development and application of a huge range of automotive technologies that are now found throughout the global automobile market. The vehicle emissions control industry employs approximately 65,000 Americans with domestic annual sales of $26 billion.[17] Likewise, in 2008, the United States' environmental technologies and services industry 1.7 million workers generated approximately $300 billion in revenues and led to exports of $44 billion of goods and services[18], larger than exports of sectors such as plastics and rubber products.[19] The size of the world market for environmental goods and services is comparable to the aerospace and pharmaceutical industries and presents important opportunities for U.S. Industry.[20]

Jobs also come from building and installing pollution control equipment. For example, the U.S. boilermaker work force grew by approximately 35 percent, or 6,700 boilermakers, between 1999 and 2001 during the installation of controls to comply with EPA's regional nitrogen oxide reduction program.[21] Over the past seven years, the Institute for Clean Air Companies (ICAC) estimates that implementation of just one rule – the Clean Air Interstate Rule Phase 1 – resulted in 200,000 jobs in the air pollution control industry.[22] Similar effects have been recognized by the electric power industry as well. In a letter to the editor in the Wall Street

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[17] Manufacturers of Emissions Control Technology (http://www.meca.org/cs/root/organization_info/who_we_are)
[18] DOC International Trade Administration. "Environmental Technologies Industries: FY2010 Industry Assessment. http://web.ita.doc.gov/ete/eteinfo.nsf/068f3801d047f26e85256883006ffa54/4878b7e2fc08ac6d85256883006c452c/$FILE/Full%20Environmental%20Industries%20Assessment%202010.pdf (accessed February 8, 2011)
[19] U.S. Census Bureau, Censtats Database, International Trade Data--NAICS, http://censtats.census.gov/naic3_6/naics3_6.shtml (accessed September 6, 2011)
[20] Network of Heads of the European Environment Protection Agencies, 2005. "The Contribution of Good Environmental Regulation to Competitiveness." http://www.eea.europa.eu/about-us/documents/prague_statement/prague_statement-en.pdf (accessed February 8, 2011).
[21] International Brotherhood of Boilermakers, *Boilermaker Labor Analysis and Installation Timing,* March 2005, EPA Docket OAR-2003-0053 (docket of the Clean Air Interstate Rule).
[22] November 3, 2010 letter from David C. Foerter, Executive Director of the Institute of Clean Air Companies, to Senator Thomas R. Carper (http://www.icac.com/files/public/ICAC_Carper_Response_110310.pdf (accessed February 8, 2011).

Journal, eight major utilities that will be affected by our greenhouse gas pollution standards said, "Contrary to claims that EPA's agenda will have negative economic consequences, our companies' experience complying with air quality regulations demonstrates that regulations can yield important economic benefits, including job creation, while maintaining reliability."[23]

Efforts, like the National Program represent monumental achievements for America. History has shown that we can clean up pollution, improve the health of Americans, achieve a healthier and more productive American workforce, protect our environment, and grow the economy all at the same time. Again, I appreciate the opportunity to provide the Agency's views on this matter.

[23] December 8, 2010 WSJ "We're OK With the EPA's New Air Quality Regulations"

Mr. JORDAN. Thank you, Administrator.

We will go first to the gentlelady from New York, Ms. Ann Marie Buerkle.

Ms. BUERKLE. Thank you, Mr. Chairman, and thank you to our panelists for being here this morning.

For those of you who don't know me, I have spent much of my professional career in health, so safety is of utmost importance to me. As I mentioned in the previous panel, I have six children and soon to be 12 grandchildren, so safety is always on my mind when you are putting kids in a car.

Mr. Strickland, you talked about one of the ways to increase efficiency and decrease the use of fuel is decreasing the weight of a car, and I am concerned. Can you talk to me about the safety impacts resulting from making fleets smaller and lighter?

Mr. STRICKLAND. Absolutely. Well, the goal is actually to not encourage mass reduction, but actually to use fuel economy through driving technology, which is the reason why the National Highway Traffic Safety Administration went to an attribute-based standard, I believe, for our last set of truck rules prior to 2012 to 2016, which I think are for light-duty trucks, which was, I believe, in 2005. That system was actually not only validated, but actually mandated by the Congress in 2007.

When you have a flat standard, which is basically one rule covering the entire manufacturer's individual fleet, that encouraged car companies at the time to offset larger vehicles by making more smaller vehicles. This attribute-based system actually discourages that, and what you do is you don't take out weight. Actually, what you do is you encourage manufacturers to reduce weight in their largest vehicles. So not only do you have——

Ms. BUERKLE. Okay, I don't mean to interrupt——

Mr. STRICKLAND. Oh, certainly. Go ahead.

Ms. BUERKLE. Five minutes go by so quickly.

Ms. Oge, I would like to just follow up with you. With regards to EPA and the concern for this fuel efficiency, what if the number of increase in fatalities and injuries goes up? At what point does the EPA say maybe this isn't such a smart idea, maybe this fuel efficiency approach is to the detriment of safety, so we are going to back off of this?

Ms. OGE. Thank you for the question. Actually, this is a question that should go to Mr. Strickland. The beauty of the two agencies working together is that we were able to bring the expertise of our two technical teams. EPA has extensive expertise for the past 40 years to regulate the car companies for emissions and NHTSA has significant expertise in the area of safety. So, working together, we are going to put a proposal together that will demonstrate——

Ms. BUERKLE. So let me just——

Ms. OGE [continuing]. Safety neutral proposal.

Ms. BUERKLE. So EPA is setting these standards without having the expertise with regards to safety issues?

Ms. OGE. Under the Clean Air Act, we are required to look at safety, and we do that, so we have our own expertise. But also NHTSA has that expertise, so we rely on NHTSA when it comes to the fuel economy greenhouse gas program.

Ms. BUERKLE. So based on that would you just tell me what EPA's position is with regards to safety? We always do benefits and burdens analysis, so we want fuel efficiency, but we also want safety. So at what point do you say let's back off from this fuel efficiency issue because it is jeopardizing safety?

Ms. OGE. As will become evident from the proposal, the proposal will be safety-neutral. That means we have taken that into consideration as one of the many factors that both agencies have to evaluate.

Ms. BUERKLE. Okay. We have evidence to the contrary.

Mr. Strickland, I will just go back to you because you mentioned that these safety studies were continuing on.

Mr. STRICKLAND. That is correct.

Ms. BUERKLE. And I think it is important for you, if you are willing to do this, to commit to this committee that if in fact this final rule isn't going to be issued until and unless we know what the impact on safety is going to be. Are you willing to commit that to this committee today?

Mr. STRICKLAND. That is part of our statutory responsibility, Congresswoman.

Ms. BUERKLE. No, that wasn't my question. Would you be willing to not issue a final rule until and unless all of the safety studies have been completed and we understand what the impact of these fuel-efficiency standards are going to be on safety?

Mr. STRICKLAND. The issue is for us to be able to have the most complete information possible before we, as an agency, make a recommendation to Secretary LaHood about a final rule, of course, or proposal, for that matter. So the question of all the studies being completed, if the agency feels that we have enough technical information on hand to make a very educated decision in terms of proposal, we will go forward with that.

Ms. BUERKLE. So you are not willing to commit that we are not going to get all the safety studies first, before we issue the final rule.

Mr. STRICKLAND. We will have all the appropriate safety studies done to make a decision, Congresswoman.

Ms. BUERKLE. Mr. Chairman, I would like to introduce into the record a letter from Mark Pryor, Senator Pryor, a letter to him from Ray LaHood.

Mr. JORDAN. Without objection.

Ms. BUERKLE. Thank you.

[The information referred to follows:]

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 16, 2011

The Honorable Mark Pryor
United States Senate
Washington, DC 20510

Dear Senator Pryor:

Thank you for your letter, cosigned by Senator Roger Wicker, regarding the National Highway Traffic Safety Administration's (NHTSA) role in promoting vehicle safety and fuel economy. You requested that NHTSA provide information regarding the status and timeline of NHTSA's studies related to the interaction of vehicle mass and size with auto safety when considering future standards for fuel economy.

Below are brief status and timeline updates for each of the additional studies listed in the MY 2012–2016 fuel economy final rule, as identified in your letter.

- *Analysis to determine the maximum potential for mass reduction in the MY 2017–2021 timeframe by using advanced materials and improved designs while continuing to meet safety regulations and maintaining functionality of vehicles*:

  NHTSA has awarded a contract to Electricore, with Engineering + Design Aktiengesellschaft (EDAG) and George Washington University (GWU) as subcontractors, to study the maximum feasible amount of mass reduction for a mid-size car. This highly detailed study takes more than a year to complete, and will inform the Agency about the feasible amount of mass reduction and the cost associated with it.

  We intend to have this study completed by the end of 2011.

- *Monitoring of vehicles fitted with advanced materials and component smart designs to understand the relationship between vehicle design and injury and fatality data*:

  NHTSA has also contracted with GWU to build a fleet simulation model to study the impact and relationship of light-weighted vehicle designs on injuries and fatalities. This study will also include an evaluation of potential countermeasures to reduce any safety concerns associated with light-weighted vehicles.

NHTSA will include three light-weighted vehicle designs in this study: one from the above study being performed by Electricore/EDAG/GWU; one from the Lotus Engineering study funded by the California Air Resources Board in 2010; and one funded by the Environmental Protection Agency (EPA) and the non-profit group International Council on Clean Transportation. This fleet-simulation model study will inform NHTSA about the possible safety implications for light-weighted vehicle designs and appropriate countermeasures for these designs.

All of the analyses related to this study are expected to be finished by July 2012.

- *Evaluation of the methods used to analyze historical data related to mass, size and safety to determine whether existing methods or other methods should be used for future analyses:*

  NHTSA has contracted with University of Michigan Transportation Research Institute to provide an independent review of recent and updated statistical analyses of the relationship between vehicle mass, size, and fatality rate. Over 20 papers and studies are being reviewed, including studies done by Kahane, Wenzel, and Dynamic Research, Inc., among others. This study will inform NHTSA about the pros and cons of the methodologies used in the statistical studies and help NHTSA to improve its methodology as appropriate.

  This peer review has been finished and the final report will be docketed at Docket No. NHTSA-2010-0152; NHTSA intends to incorporate the suggestions in its updated analysis for the Notice of Proposed Rulemaking.

- *Analysis of recent MY vehicles that incorporate various mass reduction methods to determine how these may affect mass, size, and safety:*

  In order to determine how more recent MY vehicles may affect the historical statistical relationships between mass, size, and safety, NHTSA needs to construct a database of vehicle crash information to analyze first. The Agency believes that part of the reason that different past statistical analyses may have come up with different results could be due to the lack of a single comprehensive database of crash information. In order to try to mitigate this possibility and to support the upcoming fuel economy and greenhouse gas rulemaking for 2017 and beyond, NHTSA has created a common, updated database for statistical analysis, which consists of fatality data of MY 2000–2007 vehicles in CY 2002–2008, as compared to the database used in prior NHTSA analyses of MY 1991–1999 vehicles in CY 1995–2000.

NHTSA has shared the updated databases with researchers at the U.S. Department of Energy and at EPA, and intends to make it publicly available once it is confirmed to be robust. By using a common, updated database, NHTSA hopes to significantly reduce, and perhaps eliminate, any discrepancy in results due to differences in input data.

- *Analysis of the mass, size and safety of "smart design vehicles" compared to vehicles with more traditional designs:*

  NHTSA has an inter-agency agreement with the U.S. Department of Transportation's Volpe Center, part of the Research and Innovative Technology Administration, to assist NHTSA in conducting its analysis for the fuel economy standards. One of the tasks in the inter-agency agreement is for staff at the Volpe Center to use the appropriate crash databases to investigate the implication of "smart design." The tasks include identifying and describing the types of "smart design" and methods for using "smart design" to result in vehicle mass reduction, selecting analytical pairs of vehicles and using the appropriate crash database to analyze vehicle crash data. This task will inform the Agency about the safety impact of the "smart design" vehicles. The study will try to assess the difference of crash performance between conventional designs and the "smart designs." This task will conclude by the end of July of 2011.

The U.S. Department of Transportation understands the importance of safety, as well as the importance of improving fuel economy. We have studied both areas and their interaction for many years. The latest data available will be utilized as we consider fuel economy standards for MY 2017–2025, and we will continue to study these areas to ensure that we best uphold our duties to improve safety and reduce fuel consumption.

In accordance with the Department's standard practice, we will publish your letter and this response in the Federal docket (NHTSA-2010-0131), where you can also find all rulemaking documents associated with our actions to establish fuel economy standards for model years (MY) 2017 and beyond.

A similar response has been sent to Senator Pryor. If you have further questions or would like to know further details, please contact Mr. David L. Strickland, NHTSA Administrator, at (202) 366-1836.

Sincerely yours,

Ray LaHood

Ms. BUERKLE. I see my time has expired. Thank you, Mr. Chairman.

Mr. JORDAN. Thank you.

Mr. Strickland, is the fuel efficiency standard for NHTSA in year 2025 49.6 miles per gallon? Is that going to be the standard?

Mr. STRICKLAND. Actually, it is virtually a conditional target. We are not allowed to set standards for more than 5-year periods.

Mr. JORDAN. What does that number come from, then?

Mr. STRICKLAND. It is actually the work collectively done with us and the Environmental Protection Agency in terms of the technological reviews we are doing initially. Now, at this particular point——

Mr. JORDAN. But is that the number?

Mr. STRICKLAND. We have open notice and comment not only to have to go through for the initial part of the rule for 2017 to 2021; we, under statutory obligation, under the Energy Independence and Security Act, we have to go through another open notice and comment period. We have to literally do another set of rulemaking. So we do not have a set endpoint standard; we can't, by law.

Mr. JORDAN. Anything on NHTSA letterhead or anything that points to that number, 49.6 miles per gallon?

Mr. STRICKLAND. We believe that the long-term program has the ability at this point to achieve that, but, once again, it has to be evaluated under the——

Mr. JORDAN. So that is a standard that is at least out there and proposed and being talked about and subject to maybe being the number.

Mr. STRICKLAND. It is a similar issue as an advanced notice of proposed rulemaking under the APA, which is you can definitely have a prospective number for thinking about planning purposes and also for long-term purposes planning for the manufacturers.

Mr. JORDAN. Ms. McCarthy, is the number that the EPA has 54.5?

Ms. MCCARTHY. That is the number that we have put out in a framework that is initially guiding our thought based on public information that has been out in the record.

Mr. JORDAN. So I guess that begs the question, then, is there one national standard? Is there going to be one standard as we are looking ahead or is there going to be two, 49.6 that one Federal agency is saying and 54.5 another Federal agency is saying? Because one of the things I hear and, look, I have been hearing for 2 years when I talk to business owners in our district and, frankly, across the State of Ohio, is the word that comes up more and more often, you hear it from elected officials, is the uncertainty in the marketplace with business owners today. So wouldn't it seem like maybe if there is supposed to be one national standard, we wouldn't want two numbers out there?

Ms. MCCARTHY. Well, the success of the 2012 to 2016 program was that for the first time we did have one national program, which means we had three regulatory agencies that worked together so that one national fleet could be produced that would achieve all of the regulatory requirements.

Mr. JORDAN. My question is do you think that adds to uncertainty, the fact that there is not one standard at least in the pro-

posed numbers and the target that manufacturers are going to have to hit?

Ms. MCCARTHY. I think the manufacturers are well aware that for the first time they can build one fleet that achieves all of the regulatory requirements. That is the first time that we have been able to deliver it. That is why they asked us to look beyond 2016 and actually get together to extend that national——

Mr. JORDAN. Okay. Let me go to this, then. So the process—and you were all here for the first panel. Mr. Grenerth talked about during the comment period for the truck industry where he felt like he was not heard at all and talked about the additional cost he now faces as a small business owner. And Mr. Anwyl, in his comments, talked about how he thinks the deal is already done now as we are moving forward with the new set of standards coming.

How do you respond to that, that here are folks, consumer advocates, small business owners, who feel like they are not actually having their concerns addressed in the process and the deal is already done?

Mr. STRICKLAND. The deal is not done. We still have to propose, bottom line. What we did was asked stakeholders to provide us technical information to better inform the proposal. So everyone that was here that provided you testimony, we are looking forward to seeing their comments in our open notice and comment period when we issue the proposal.

Again, also, I believe that OOIDA, which is, I think, the group that Mr. Grenerth, actually did have meetings not only with my technical team, but also with the EPA, and I can have Ms. McCarthy answer more specifically to that. But in terms of hearing particular voices or the consumers' voice or things of that nature, that is what open notice and comment is for, and our doors were always open throughout this process.

While there were numbers of technical meetings that were going on with lead stakeholders, there were other meetings going on all the time for the process. Mr. Anwyl was always welcome, if he had his study, to be able to provide that to the agency, to provide that to EPA; we would happily have taken that into consideration in the preliminary look in shaping the proposal and especially, more importantly, during open notice and comment, which is where we have to evaluate all this information.

Mr. JORDAN. Well, I appreciate that, Director, but we had two people under oath just testify that they thought it did work the way you just described. We have this statement from the Center for Progressive Reform which says the Center notes that the agreed-upon CAFE standards are "the result of raw political wrangling, not the rational rulemaking process." So this is not a small business owners, this is probably a center-left organization making that kind of statement.

We had Mr. Anwyl, under testimony before, saying he called it the California balkanization, talking about manufacturing, and I think the statement he used was he feels like the manufacturers had a gun to their head and they felt they had to go along with the proposed standards.

So how do you respond to that?

Mr. STRICKLAND. Well, I can't speak to the state of mind to a manufacturer, you need to ask them how they felt.

Mr. JORDAN. How about Administrator McCarthy?

Ms. MCCARTHY. Well, first of all, I would say that the national program has garnered such widespread support because it is a model of how government can and should work effectively with a wide range of stakeholders to develop thoughtful data-driven regulations that benefit consumers, that improve the environment, that improve security——

Mr. JORDAN. A lot of the questioning in the first—if I could just real quickly. A lot of the questioning in the first panel was on the cost issue. Did you guys, when you go through this, you did, I would assume, a pretty extensive cost-benefit analysis?

Ms. MCCARTHY. We did, and we will provide a similar analysis when we put out the proposed rule——

Mr. JORDAN. And is there a chance the committee could get that cost-benefit analysis used thus far to arrive at the decisions you have arrived at?

Ms. MCCARTHY. Actually, all of that information is in the public record already. We actually put out a Notice of Intent, we put out a Technical Assessment Report, we put out a Supplemental Notice of Intent——

Mr. JORDAN. And you will get that all to the committee? Can you get that to the committee?

Ms. MCCARTHY. Absolutely. It is in the public record.

Mr. JORDAN. Okay. Okay.

Ms. JORDAN. The only thing I would also say is I know that one of the representatives you heard from this morning is OOIDA, and I wanted to make it very clear to you that we actually met with OOIDA extensively. They, early on, identified seven issues that were of concern to them in our proposal, and I can provide you direct information that indicated that their comments led to significant changes in the final because we took their comments into consideration.

In fact, I can provide you an email from OOIDA subsequent to our meeting with them during the comment period in which they went on effusively about how good EPA was to pay such close attention to the interests of small business. So I don't know who this representative was or how extensive an involvement he had in the process, but clearly not working for OOIDA, because the staff of OOIDA met with us, appreciated it, and had an influence in the decision.

Mr. JORDAN. All right.

Gentlelady from New York for a second round. We will go real quickly second round.

Ms. BUERKLE. Thank you, Mr. Chairman.

Just as a followup question to the chairman's question, Ms. McCarthy, with regards to you sat there and you were quick to tick off the benefits, savings 12 billion barrels of oil with these new standards. Can you give us some idea of the costs?

Ms. MCCARTHY. Certainly. The costs are in the rulemaking themselves, and let me talk to you a little bit about the costs.

Ms. BUERKLE. Just the amount. Just the amount.

Ms. MCCARTHY. Relative to 2012 to 2016, the cost for those model years is $52 billion, the monetized benefits are $240 billion. For the estimated, we haven't proposed it yet. We don't have any costs yet for the 2017 to 2025. But if you look in the record, you will see that the Notice of Intent that we put out actually references a wide variety of costs related to different ranges of stringency in those rules. For the 2014 to 2016, heavy-duty vehicles, the cost is $8 billion, the monetized benefits are $50 billion.

Ms. BUERKLE. Okay, yes, if you could provide those for the committee, that would be great.

Ms. MCCARTHY. Happy to.

Ms. BUERKLE. Thank you.

Mr. Strickland, I want to go back a little bit because it sounds to me like we are going to have three different standards here.

Mr. STRICKLAND. There are three different programs, Congresswoman; it is one harmonized national program. There are different authorities under the National Highway Traffic Safety Administration, Clean Air Act authority under EPA, and then the California Air Resources Board also has the ability, because of the waiver and the endangerment finding, to issue their own rules regarding greenhouse gas emissions. The key to it was to harmonize those three different authorities. So while, yes, there are three different regulatory actions happening, they are jointly done and coordinated so you do have one harmonized national program.

Ms. BUERKLE. Can you comment, though? This California waiver, doesn't that create—why was California given a waiver? Doesn't that create confusion? This harmony, there are three different sets of standards. It wasn't that way before 2009, and I would like you to comment on that.

Mr. STRICKLAND. Well, I will defer to Ms. McCarthy and EPA, since they are the ones who have to process the waiver.

Ms. BUERKLE. But my question is directed to you, Mr. Strickland.

Mr. STRICKLAND. Oh, certainly.

Ms. BUERKLE. Then I will follow up with the other two.

Mr. STRICKLAND. In terms of why I think there is—well, clearly because California was given the waiver, they have the authority, because of their endangerment finding, the endangerment finding made by the Environmental Protection Agency, to be able to issue greenhouse gas standards and, therefore, under *Mass.* v. *EPA,* which gave the Clean Air Act authority the right to actually oversee transportation sources, we have a new regulatory environment that we have to deal with.

The White House and the President's leadership said for us all that there were various statements of Presidential orders to be able to work together to create one national harmonized program, and that is what we did.

Ms. BUERKLE. But I would like you to comment on the fact that the EPA really, in issuing this waiver to California, violated the State preemption, that California should not have been given a waiver.

Mr. STRICKLAND. I am not an expert on California waiver issues. I would be happy to answer that for the record specifically, but you have two experts to my left.

Ms. BUERKLE. Well, but you are working with these groups and it is of concern to me whether EPA had the authority to grant this waiver to California, and now we end up in a situation where we have three sets of standards where, in 2009, we had one set, and that was NHTSA's standard, which appears to be a more reasonable and less onerous and less burdensome on the economy and on the folks, as you heard from this morning.

Mr. STRICKLAND. We were given congressional authority under EPCA in the mid-1970's and then modified by the Energy Independence Security Act in 2007 we will carry out those duties. Because of *Mass.* v. *EPA and the Clean Air Act authority,* there is independent authority as well to also regulate greenhouse gas emissions, and it is not our place to evaluate the Environmental Protection Agency's legal authority. Our responsibility under the Department of Transportation is to actually deal with our statutory authorities, and our agency's mission is to not only regulate fuel economy, which is one part of our mission, but to find the best ways to save lives and reduce injuries, which is what we do every single day.

Ms. BUERKLE. I would disagree with you on the fact that you should have knowledge and you should be concerned with the fact that EPA violated the State preemption by granting California that waiver, and that should be the place where you start. It was in EPCA and there was a State preemption clause in there. And that is why we are having this hearing. We are not saying we don't want a clean environment, but we want to make sure that this process that was followed is legal and is the right way to go.

I yield back, Mr. Chairman.

Ms. MCCARTHY. Madam Vice Chairman, would you like me to answer this question?

Mr. JORDAN. Yes. I think the question is the statute seems to indicate that you can't have preemption, yet the EPA said you can have preemption. So what gives?

Ms. MCCARTHY. Actually, I believe that what you are referring to are fuel economy regulations. What California is regulating and what EPA is regulating are greenhouse gas emission standards. And the only thing that I wanted to make sure to point out is that Congress, in the Clean Air Act, in Section 209, actually not only gave us the authority to grant California waivers, but it gave us specific criteria that we needed to follow. We applied those criteria to the letter; we went through a public rulemaking process——

Mr. JORDAN. I guess maybe here is a question. I am not a legal scholar, but it seems, when you read the statute, it talks about a regulation related to fuel economy standards, and greenhouse gases are certainly related to fuel economy standards, is that right?

Ms. MCCARTHY. They are closely aligned, but they are different, Mr. Chairman.

Mr. JORDAN. Then I think that proves the gentlelady's point.

Ms. MCCARTHY. We actually take into consideration all greenhouse gas emissions related to that vehicle, most notably, the major differences, the air conditioning. And that makes a very big difference in terms of the outcome of these rules. EPA's regulation actually improves the amount of greenhouse gases you can get and achieve through this joint rulemaking, and it also helps improve

fuel economy in the end. But we are not driving fuel economy; we are actually regulating greenhouse gases.

Mr. JORDAN. I want to go back to where I was earlier, because I wasn't quite clear. Is there one standard or are there going to be two? Are there going to be 49 miles per gallon and 54, are there going to be two numbers out there or is there going to be just one number?

Mr. STRICKLAND. Well, the easiest way to explain it is the 54.5 mile per gallon standard derived from the EPA's greenhouse gas rules versus NHTSA's 49.6. They are actually harmonized; they are the same number. We have different authorities. They have more flexibilities——

Mr. JORDAN. Mr. Strickland, only in Washington could you say two numbers are the same number. I mean, I have seen all kinds of things in budgeting——

Mr. STRICKLAND. It is a harmonized——

Mr. JORDAN. We are going to cut spending, but we are not cutting spending; we are reducing the rate of growth. I have seen it all and I have only been here 5 years. But I have never had someone, a Federal agency say 49.6 is the same as 54.5. I have just never seen it.

Mr. STRICKLAND. There are different statutory authorities and different flexibilities that the agencies have. When you——

Mr. JORDAN. Well, will you at least admit this, that that probably doesn't help the uncertainty that currently exists in our economy where we have 9 percent unemployment? Would you at least admit that?

Mr. STRICKLAND. No, the exact reason why we needed——

Mr. JORDAN. You wouldn't think so? Wow.

Mr. STRICKLAND. The exact reason why we needed a harmonized national program is to address exactly that, so the auto manufacturers can actually address building one national fleet. It is what the manufacturers wanted. It is the best environmental policy and best economic policy. The reason why we have undertaken this joint rulemaking in the first place is to address that very question. Bottom line is——

Mr. JORDAN. Would you ever have had to undertake the joint rulemaking if California didn't have a different standard?

Mr. STRICKLAND. Well, clearly the issue is——

Mr. JORDAN. I mean, just be frank. You are under oath, so just be frank. But for that, you wouldn't have had to do this, would you?

Mr. STRICKLAND. Well, before——

Mr. JORDAN. We wouldn't have this whole convoluted rulemaking process, special committee——

Mr. STRICKLAND [continuing]. The only auto fuel regulator was NHTSA. So you are asking a question which sort of bespokes, and that isn't the current reality. The current reality is is that the Supreme Court made the decision that the Clean Air Act did cover mobile transportation sources and, frankly, not only because of that legal decision, it frankly was the best policy decision, because there are some things that the Environmental Protection Agency, such as air conditioning, can reach which actually strengthens our fuel

economy policy, makes it more consistent, and actually makes a more rigorous standard.

Mr. JORDAN. I want to thank the witnesses. I do have to run. I appreciate your coming in and I apologize I can't stay, but I have to get to another meeting here. I will turn it over to the gentlelady from New York.

Ms. BUERKLE. And I just have a quick question for the three of you. It is a yes or no question, if you wouldn't mind. Are the greenhouse gas rules, either the EPA's or the California rules, are they related to fuel economy? Mr. Strickland?

Mr. STRICKLAND. They regulate——

Ms. BUERKLE. Yes or no?

Mr. STRICKLAND. No. They regulate greenhouse gas emissions.

Ms. MCCARTHY. They regulate greenhouse gas emissions.

Ms. OGE. They regulate greenhouse gas emissions.

Ms. BUERKLE. So they are not related to fuel economy, under oath?

Mr. STRICKLAND. No. They are greenhouse gas emission regulations.

Ms. MCCARTHY. We do not regulate fuel economy standards.

Ms. BUERKLE. Okay. And all three of you agree with that?

Mr. STRICKLAND. Yes.

Ms. OGE. Yes.

Ms. MCCARTHY. Yes.

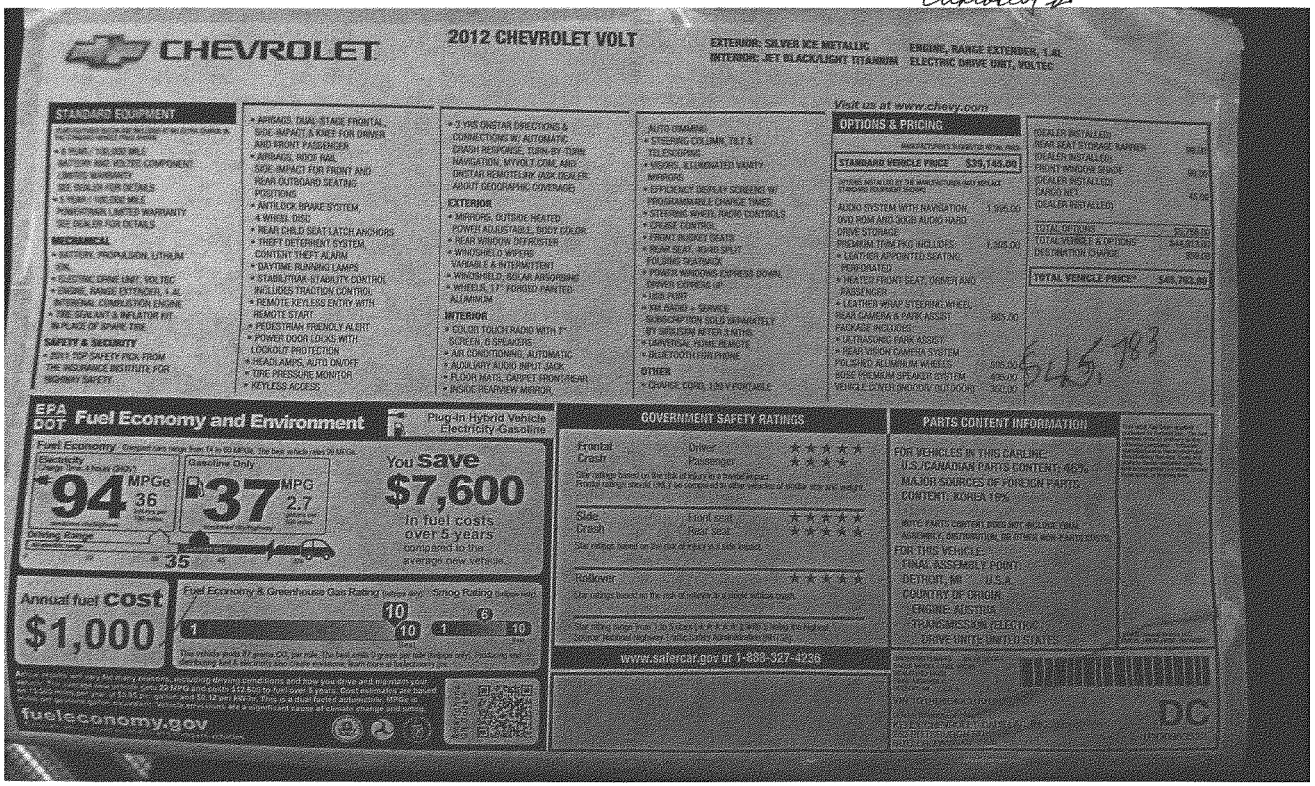
Ms. BUERKLE. Very good.

This hearing is adjourned. Thank you all for being here.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

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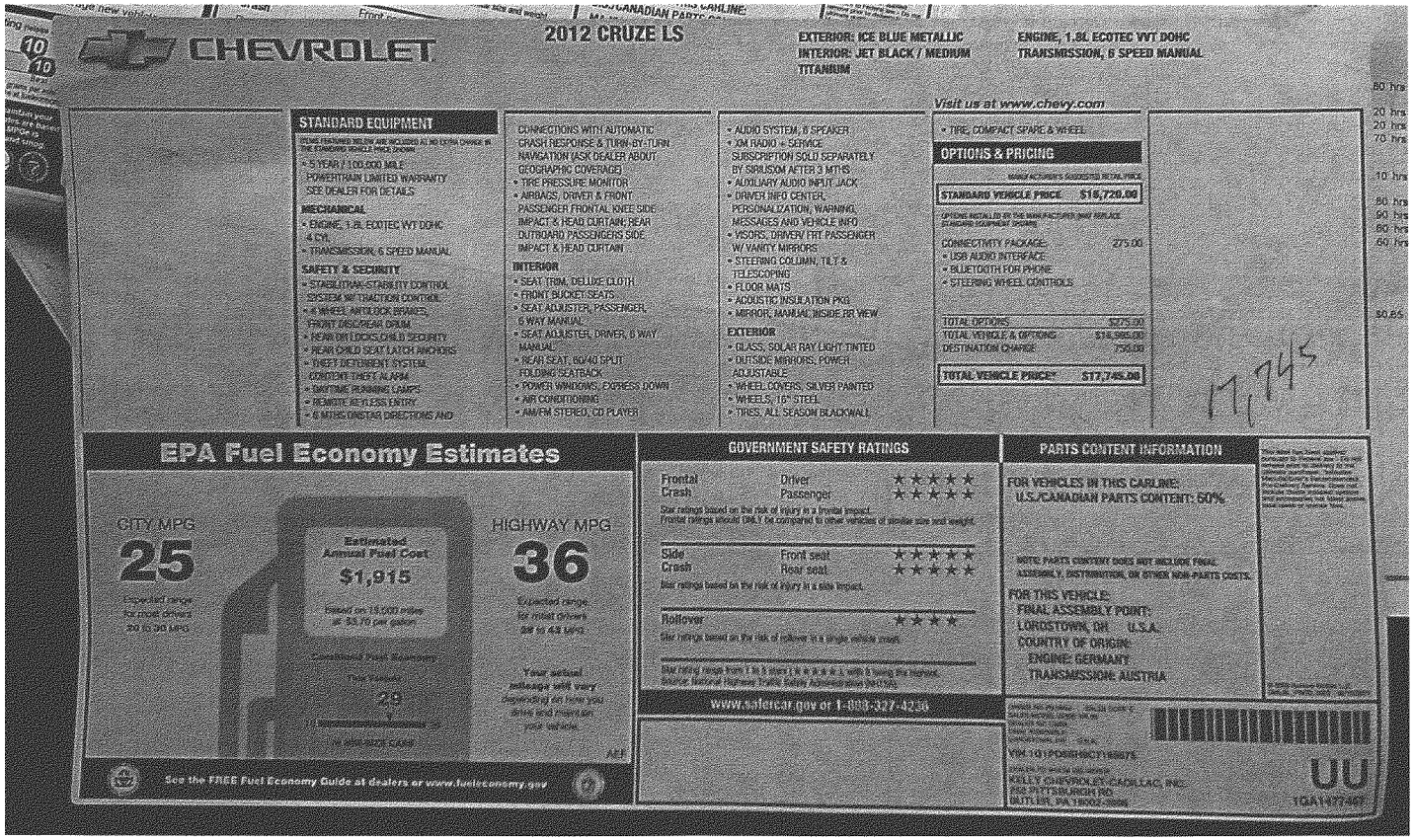
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Estimated Annual Fuel Cost
$1,915
Based on 15,000 miles at $3.19 per gallon

Combined Fuel Economy
This Vehicle
28

HIGHWAY MPG
36
Expected range for most drivers 34 to 38 MPG

Your actual mileage will vary depending on how you drive and maintain your vehicle.

See the FREE Fuel Economy Guide at dealers or www.fueleconomy.gov

GOVERNMENT SAFETY RATINGS

Frontal Crash — Driver ★★★★★ / Passenger ★★★★★
Star ratings based on the risk of injury in a frontal impact. Frontal ratings should ONLY be compared to other vehicles of similar size and weight.

Side Crash — Front seat ★★★★★ / Rear seat ★★★★★
Star ratings based on the risk of injury in a side impact.

Rollover ★★★★
Star rating based on the risk of rollover in a single vehicle crash.

Star rating range from 1 to 5 stars (★ ★ ★ ★ ★), with 5 being the highest.
Source: National Highway Traffic Safety Administration (NHTSA)

www.safercar.gov or 1-888-327-4236

PARTS CONTENT INFORMATION

FOR VEHICLES IN THIS CARLINE:
U.S./CANADIAN PARTS CONTENT: 60%

NOTE: PARTS CONTENT DOES NOT INCLUDE FINAL ASSEMBLY, DISTRIBUTION, OR OTHER NON-PARTS COSTS.

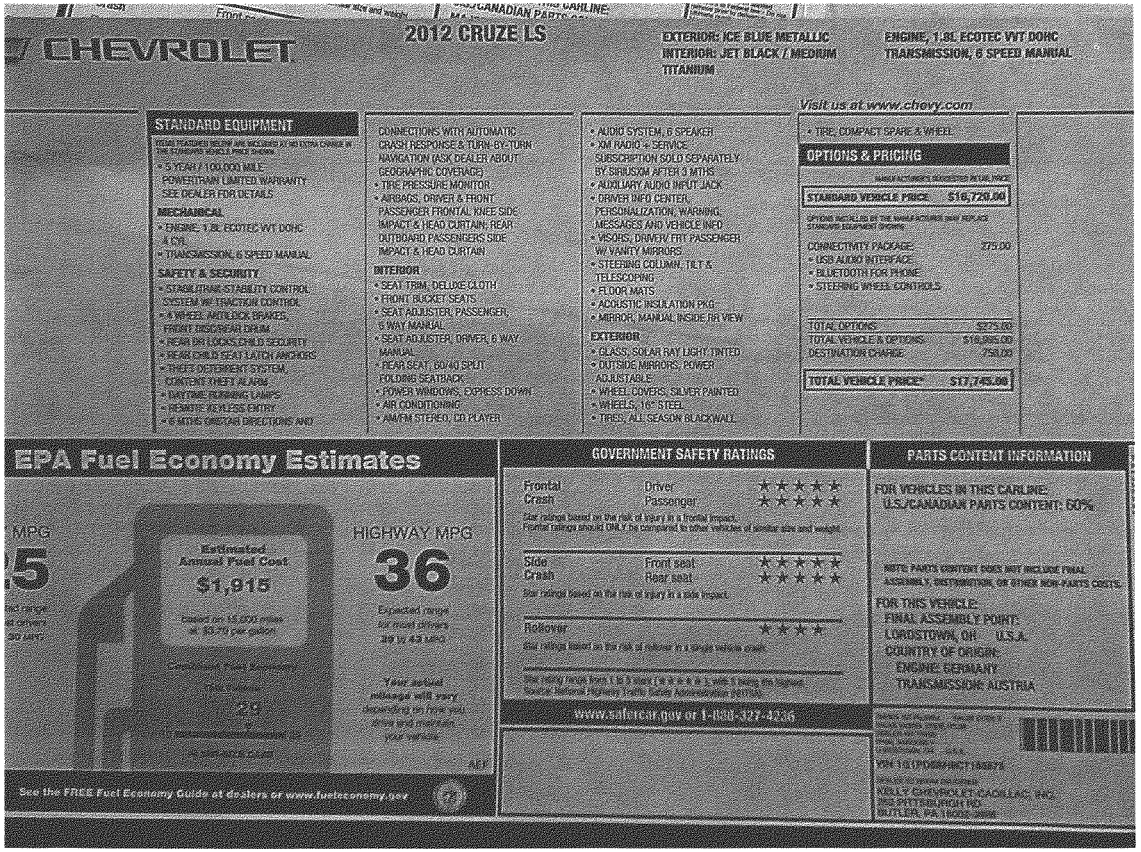
FOR THIS VEHICLE:
FINAL ASSEMBLY POINT:
LORDSTOWN, OH U.S.A.
COUNTRY OF ORIGIN:
ENGINE: GERMANY
TRANSMISSION: AUSTRIA

YIN 1G1PG5SC1C7166975

KELLY CHEVROLET CADILLAC, INC.
[illegible]
BUTLER, PA 16001-[illegible]

UU

1GA1477467



CHEVROLET

2012 CRUZE LS

EXTERIOR: ICE BLUE METALLIC
INTERIOR: JET BLACK / MEDIUM TITANIUM

ENGINE, 1.8L ECOTEC VVT DOHC
TRANSMISSION, 6 SPEED MANUAL

Visit us at www.chevy.com

STANDARD EQUIPMENT

THESE FEATURES BELOW ARE INCLUDED AT NO EXTRA CHARGE IN THE STANDARD VEHICLE PRICE SHOWN.

- 3 YEAR / 100,000 MILE POWERTRAIN LIMITED WARRANTY. SEE DEALER FOR DETAILS.

MECHANICAL
- ENGINE, 1.8L ECOTEC VVT DOHC 4 CYL
- TRANSMISSION, 6 SPEED MANUAL

SAFETY & SECURITY
- STABILITRAK STABILITY CONTROL SYSTEM W/ TRACTION CONTROL
- 4 WHEEL ANTILOCK BRAKES; FRONT DISC/REAR DRUM
- REAR DR LOCKS,CHILD SECURITY
- REAR CHILD SEAT LATCH ANCHORS
- THEFT DETERRENT SYSTEM, CONTENT THEFT ALARM
- DAYTIME RUNNING LAMPS
- REMOTE KEYLESS ENTRY
- 6 MONTHS ONSTAR DIRECTIONS AND CONNECTIONS WITH AUTOMATIC CRASH RESPONSE & TURN-BY-TURN NAVIGATION (ASK DEALER ABOUT GEOGRAPHIC COVERAGE)
- TIRE PRESSURE MONITOR
- AIRBAGS, DRIVER & FRONT PASSENGER FRONTAL W/KNEE BOLSTER; SIDE IMPACT & HEAD CURTAIN; REAR OUTBOARD PASSENGERS SIDE IMPACT & HEAD CURTAIN

INTERIOR
- SEAT TRIM, DELUXE CLOTH
- FRONT BUCKET SEATS
- SEAT ADJUSTER, PASSENGER, 6 WAY MANUAL
- SEAT ADJUSTER, DRIVER, 6 WAY MANUAL
- REAR SEAT, 60/40 SPLIT FOLDING SEATBACK
- POWER WINDOWS, EXPRESS DOWN
- AIR CONDITIONING
- AM/FM STEREO, CD PLAYER
- AUDIO SYSTEM, 6 SPEAKER
- XM RADIO + SERVICE SUBSCRIPTION SOLD SEPARATELY BY SIRIUSXM AFTER 3 MTHS
- AUXILIARY AUDIO INPUT JACK
- DRIVER INFO CENTER, PERSONALIZATION, WARNING MESSAGES AND VEHICLE INFO
- VISORS, DRIVER/ FIT PASSENGER W/ VANITY MIRRORS
- STEERING COLUMN, TILT & TELESCOPING
- FLOOR MATS
- ACOUSTIC INSULATION PKG
- MIRROR, MANUAL INSIDE RR VIEW

EXTERIOR
- GLASS, SOLAR RAY LIGHT TINTED
- OUTSIDE MIRRORS, POWER ADJUSTABLE
- WHEEL COVERS, SILVER PAINTED
- WHEELS, 16" STEEL
- TIRES, ALL SEASON BLACKWALL
- TIRE, COMPACT SPARE & WHEEL

OPTIONS & PRICING

MANUFACTURER'S SUGGESTED RETAIL PRICE

STANDARD VEHICLE PRICE	$16,720.00

OPTIONS INSTALLED BY THE MANUFACTURER (MAY REPLACE STANDARD EQUIPMENT SHOWN)

CONNECTIVITY PACKAGE • USB AUDIO INTERFACE • BLUETOOTH FOR PHONE • STEERING WHEEL CONTROLS	$75.00
TOTAL OPTIONS:	$275.00
TOTAL VEHICLE & OPTIONS:	$16,995.00
DESTINATION CHARGE:	750.00
TOTAL VEHICLE PRICE*	$17,745.00

EPA Fuel Economy Estimates

MPG
5

Estimated Annual Fuel Cost
$1,915
Based on 15,000 miles at $3.79 per gallon

Combined Fuel Economy
29

HIGHWAY MPG
36
Expected range for most drivers 29 to 43 MPG

Your actual mileage will vary depending on how you drive and maintain your vehicle.

AEF

See the FREE Fuel Economy Guide at dealers or www.fueleconomy.gov

GOVERNMENT SAFETY RATINGS

Frontal Crash	Driver	★★★★★
	Passenger	★★★★★

Star ratings based on the risk of injury in a frontal impact. Frontal ratings should ONLY be compared to other vehicles of similar size and weight.

Side Crash	Front seat	★★★★★
	Rear seat	★★★★★

Star ratings based on the risk of injury in a side impact.

Rollover	★★★★

Star ratings based on the risk of rollover in a single vehicle crash.

Star ratings range from 1 to 5 stars (★ is worst, 5 is best). 5 being the highest. Source: National Highway Traffic Safety Administration (NHTSA).

www.safercar.gov or 1-888-327-4236

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FOR THIS VEHICLE:
FINAL ASSEMBLY POINT:
LORDSTOWN, OH U.S.A.
COUNTRY OF ORIGIN:
ENGINE: GERMANY
TRANSMISSION: AUSTRIA

VIN 1G1PG5SB9C7188879

KELLY CHEVROLET-CADILLAC, INC.
BUTLER, PA

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MIKE KELLY, PENNSYLVANIA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
http://oversight.house.gov

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RANKING MINORITY MEMBER

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JACKIE SPEIER, CALIFORNIA

November 15, 2011

The Honorable Gina McCarthy
Assistant Administrator for the Office of Air and Radiation
Environmental Protection Agency
Washington, DC 20460

Dear Ms. McCarthy:

The Committee on Oversight and Government Reform is investigating the Obama Administration's efforts to raise fuel economy standards for both light and heavy duty vehicles and the impact these efforts have on consumers and small businesses. Pursuant to that investigation, the Committee requested your testimony before the Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending on October 12, 2011.

The Committee is interested in clarifying and gathering additional information about statements you made under oath at the hearing. To assist the Committee with its investigation, please make yourself available for transcribed interviews the week of November 14, 2011.

Additionally, let this serve as notice of your options regarding the presence of counsel. You may testify accompanied by personal counsel if you choose. Agency lawyers may attend Committee interviews solely with the consent of the witness.

The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X. If you have any questions about this request, please contact Kristina Moore or Sharon Utz of the Committee Staff at 202-225-5074. Thank you for your attention to this matter.

Sincerely,

Darrell Issa
Chairman

Jim Jordan
Chairman, Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending

cc: The Honorable Elijah E. Cummings, Ranking Minority Member
Committee on Oversight and Government Reform

The Honorable Dennis J. Kucinich, Ranking Minority Member, Subcommittee on
Regulatory Affairs, Stimulus Oversight and Government Spending

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

NOV 16 2011

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515-6143

Dear Mr. Chairman:

Thank you for your letter of November 15, 2011. Your letter states that the Committee seeks to obtain information to clarify and gather additional information about statements made by Environmental Protection Agency (EPA) Assistant Administrator Gina McCarthy at an October 12, 2011 hearing of the Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending, on the EPA's and the National Highway Traffic Safety Administration's (NHTSA's) light and heavy duty vehicle standards. Your letter requests a formal transcribed interview with Ms. McCarthy, the EPA's Senate-confirmed head of the Office of Air and Radiation, within three days of the date of your letter.

The EPA respects the important role of your Committee in overseeing the work of the EPA and other federal government agencies. Accordingly, we have worked diligently to respond to your interest in the EPA and NHTSA vehicle standards that were the subject of the Subcommittee's October 12 hearing referenced above, entitled "Running on Empty: How the Obama Administration's Green Energy Gamble Will Impact Small Business & Consumers", and your letters dated September 30 and October 18. As you know, the EPA provided two witnesses to testify at the October 12 hearing, making Ms. McCarthy available to respond to any questions from the Committee with regard to the current Administration's policies while also accommodating the Committee's request that Ms. Margo Oge, the career Director of EPA's Office of Transportation Air Quality, testify on technical questions.

Your letter of September 30 included an extensive request for information, including 21 detailed questions and a request that the EPA produce all documents in the Agency's custody or control that refer or relate to the EPA's model year (MY) 2012-2016 and (at that point, not-yet-proposed) MY 2017-2025 greenhouse gas emission standards for light duty vehicles. The Agency sent responses on October 11 and November 1, providing detailed responses to your questions. EPA staff then met with your staff on November 9 to discuss those responses, your staff's follow-up questions, and potential options for focusing and prioritizing your document request. It was agreed at that meeting, and confirmed in a later email from your staff, that EPA

staff and your staff would continue to work to focus the document request, and that you would be sending another letter to the EPA articulating follow-up questions and providing a more focused request for documents. Although we have not yet received another letter from you, EPA staff is working to schedule another meeting with your staff to further discuss the document request.

With regard to your letter dated October 18, 2011, which asked for clarification of testimony by Ms. McCarthy and Ms. Oge at the October 12 hearing, the EPA sent a response on November 15. We apologize for the delay in responding, which was occasioned, in significant part, by the large volume of oversight requests and hearing invitations to which the EPA – and the Office of Air and Radiation, in particular – have been responding in the intervening period. If you have follow-up questions related to the EPA's response, the Agency stands ready to work with your staff to provide further information if possible.

Apart from the matters described above, the only other related request from your staff of which the EPA is aware is that the Agency provide an estimate of the aggregate cost of the EPA's and NHTSA's proposed standards for MY 2017-2025 light duty vehicles. This information was provided to your staff earlier today, prior to the announcement of EPA Administrator Lisa Jackson's signature of a notice of proposed rulemaking on the MY 2017-2025 standards. As we are still at the proposal stage, the proposed standards and related economic analysis will be subject to the full public notice and comment process in the coming months before any final action is taken by EPA and NHTSA.

Your letter of November 15 does not specify the subject matter on which the Committee would like further information, other than that it relates to Ms. McCarthy's testimony at the October 12 hearing. To the extent your request relates to your letter of October 18, we note that the EPA's response was in the process of being sent the day we received your letter of November 15, and that our letter may in part respond to your inquiry. Assuming, however, that you require more information on this or other aspects of Ms. McCarthy's testimony, further clarification as to the specific subject matter of your interest would help us to more effectively respond.

Since the EPA has produced information, and is in current discussion with your staff on the best manner to satisfy all pending requests from the Committee in this area, we believe that the Agency can accommodate your request for further information regarding Ms. McCarthy's testimony without engaging in the formal process of a transcribed interview.

Specifically, the Agency proposes to accommodate the Committee's request by making Ms. McCarthy and/or other appropriate senior Agency staff available to you or your staff for an informal briefing, in addition to continuing our ongoing efforts to identify responsive documents and materials. The EPA believes that such a briefing, which is the traditional and longstanding practice in situations of this nature, will best address the Committee's interest in further information while preserving the Executive Branch's legitimate interests in this sphere. A transcribed interview by Committee staff, by contrast, would be more formal and is unlikely to lead to the type of candid and informative back-and-forth that commonly occurs in informal briefings. The EPA stands ready to schedule such a briefing at your earliest convenience.

Thank you again for your letter. Please feel free to contact me if you have any questions, or your staff may contact Tom Dickerson on my staff at (202) 564-3638.

Sincerely,

Arvin Ganesan
Associate Administrator

cc: The Honorable Elijah Cummings
Ranking Member

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

NOV 16 2011

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

The Honorable Jim Jordan
Chairman
Subcommittee on Regulatory Affairs,
Stimulus Oversight and Government Spending
Committee on Oversight and Government Reform
U. S. House of Representatives
Washington, D.C. 20515

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Sincerely,

Arvin Ganesan
Associate Administrator

cc: The Honorable Dennis Kucinich
Ranking Member

○