



DEPARTMENT OF TRANSPORTATION

NEWS

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STATEMENT BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR
BEFORE THE SENATE COMMERCE COMMITTEE ON THE PROPOSED ENERGY
CONSERVATION ACT, DECEMBER 11, 1974.

Mr. Chairman and Members of the Committee.

I very much appreciate this opportunity to appear
before you today. Joining me at the table are Dr. James B.
Gregory, Administrator, National Highway Traffic Safety
Administration, and Dr. Raymond E. Goodson, Chief Scientist,
Department of Transportation.

The importance of the subject before us--the National
urgency to develop and to put into service large numbers of
fuel-efficient automobiles--is so widely accepted that I need
not dwell on it. Needless to say, any serious effort to
conserve scarce liquid fuels must concentrate on America's

millions of automobiles--the current user of some 5,000,000 B/D of gasoline. No other energy target offers anywhere near such an opportunity.

The only issue is: How to accomplish this goal in a way that is in the best National interest?

As we see it, the three alternatives are:

1. Let market forces continue to work as they now are, with the expectation that consumer demand will cause the development and sale of the desired number of fuel-efficient automobiles. The estimated 1975 sales-mix average of 15.9 mpg, which is 13% above 1974's average of 14.0 mpg, illustrates that the trend is in the right direction.

2. Combine the push of market forces with a close Federal overview program that asks the major manufacturers to commit to a maximum effort to develop and sell fuel-efficient automobiles. This "voluntary standards" approach is the direction that we have been moving in since the President's call, on October 8th, for a 40% gain in sales-mix fuel economy by the 1980 model year (using 1974 model year as the base).

3. Adopt legislative standards to mandate specific fuel-economy goals. There are, of course, a number of possible legislative approaches to the objective. The proposal before

this Committee would mandate a minimum 50% improvement in the average mpg (on a sales-mix basis) by the 1980 model year, with lesser objectives in the intermediate years. Manufacturers that failed to meet the mandated standards would be liable to civil penalties of \$50 to \$100 per car per mpg that their sales-mix average fell below the standard. The penalty could be waived under certain circumstances.

After careful review of these alternatives, it is our judgment that today's proper approach is Alternative #2-- the use of market forces coupled with a close Federal overview. However, I wish to stress that the mandated approach before the Committee is, with some exceptions that I'll discuss shortly, a plausible way to set mandatory standards. It may be that after we have explored the prospects of compliance with the voluntary standards in more detail, we may find that it is necessary to recommend some version of the mandated standards. Today, however, I cannot make such a recommendation.

Our reasons for presently opposing these mandated fuel economy standards can be broadly grouped into these two categories:

First, we are uneasy and uncertain about the possible direct and indirect side effects of the mandated standards, assuming the regulations and incentives work as expected. As we are seeing vividly today, changes in the economic health of the automobile industry can quickly have a far reaching National impact. Before taking legislative actions that could significantly affect this industry's economic health, I believe that there are a number of issues that must be explored in great detail, including the following:

(a) In light of today's energy and inflation situation, have we properly evaluated the overall National benefit/cost relationships of the separate emission, safety, and fuel-efficiency standards that we have imposed, or may impose, on the automobile?

(b) What new plant and equipment investments would be required by each U.S. manufacturer to meet the fuel standards, and what are the technical problems in having production-line, reliable vehicles ready by 1980?

(c) Do each of the U.S. manufacturers have these financial resources? What happens if some do not?

(d) What are the likely impacts of these fuel standards on automobile selling prices and, in time, on new car sales and on incentives to keep existing vehicles in use longer than normal?

(e) What are the likely impacts on the competitive relationships (1) within the U.S. auto industry and (2) between the U.S. industry and the foreign manufacturers?

We are, of course, looking into these and related issues involving possible side effects in great detail. While we cannot offer answers today, we do want to stress the importance of having adequate answers before taking actions such as contemplated in the proposed bill.

My second category of objections to the proposed bill involves a number of administrative and conceptual difficulties, including the following:

(a) The bill gives the Secretary of Transportation the authority to waive the financial penalty for a manufacturer "to prevent insolvency or bankruptcy of a manufacturer or the substantial lessening of competition within the automobile industry." Such action would require the Secretary of Transportation to reach judgments on anti-competitive and financial issues in a major industry. We believe these responsibilities belong in other government agencies.

(b) The bill would permit a multi-car firm to spread the financial penalty over all its car lines--big and small. If done this way the penalty would not perform its desired objective of stimulating the sale of fuel-efficient cars.

(c) A major financial penalty could be assessed on a manufacturer as a result of his failure to accurately forecast, a year or so in advance, the sales element in the sales-mix calculation. Such an action would raise legitimate objections on grounds of equity.

(d) The bill would rely on the existing EPA dynamometer test procedure as the method of measuring fuel efficiency to determine conformance with the standards. Although this test procedure is a reasonably acceptable way to measure fuel economy of large groups of cars and to provide useful information to buyers, we do not believe it is yet accurate enough or reliable enough to serve as a legal basis for assessing penalties that could be, at least for the major manufacturers, hundreds of millions of dollars for each mpg of deficiency. With such enormous financial incentives at stake, I could foresee a situation where the manufacturers have a greater incentive, either by legal action or by technical manipulation, to work on "beating" the test procedure than they do on finding new ways to improve fuel-efficiency.

(e) The minimum standards for 1980, as well as those of some of the intermediate years, may be too high. Until we

have a better technical base, I would recommend that greater legislative latitude be provided to the Secretary. As a practical matter, whether the standard requires a 40% or a 50% improvement by 1980 does not materially affect total fuel usage until late in the decade of the 1980's.

In addition to these above listed objections, we also have a number of fairly technical comments and suggestions. I believe that rather than go into them now, it would be appropriate to later submit them for the record.

Next, I would like to report on our work in developing a program of voluntary fuel economy standards.

Secretary Morton started the effort to reach the President's goal of a 40% improvement by 1980 models by convening a meeting with auto industry executives at the White House on October 29.

At that meeting, which I chaired, each major manufacturer was asked to provide detailed projections of their fuel-economy and sales-mix plans through 1980. Their voluntary submissions, together with information obtained in later personal meetings, lead us to these conclusions:

1. Based on their present firm plans for improvements in technology and for changes in sales mix (small vs large),

overall fuel economy in the 1980 models would average 40% better than 1974's models if all emission standards are frozen at 1975's levels.

2. On the other hand, the manufacturers claim that if the emission standards are tightened in 1977/78 in accordance with present legal schedules (and assuming an already requested revision in the NO_x standards is allowed), the average gain in fuel economy in 1980 would be only half the desired level (about 20% rather than 40%).

3. The projected fuel penalty associated with the tighter emission standards results from the manufacturers' reluctance to commit today to major investments in fuel efficiency technology to overcome these penalties. They also have some doubts about their ability to prove-out and mass produce the needed technology by 1980.

We are now investigating in as much detail as possible the technical and cost impacts of pushing the manufacturers to go all out to achieve the 40% gain--assuming there is no freeze in emission standards.

Related to this work is the report issued jointly on October 24 by the Department of Transportation and the Environmental Protection Agency, entitled "Potential for Motor

Vehicle Fuel Economy Improvement." A copy of this study was provided to Chairman Magnuson on that date.

I believe it would be worthwhile if I concluded my statement by briefly reviewing the major findings of that report. From page 1 we have these conclusions:

"It is practicable to achieve by a variety of means a 20% fuel economy improvement in the new model fleet of 1980 compared to 1974 with little further price increase. The full range of potential improvements...is from 40 to 60 percent....

"Fuel economy improvements obtained while simultaneously achieving interrelated objectives such as low emissions and occupant safety will involve competition for capital, expertise, and other resources. Impacts, some of which may require compensating action, include:

- a. The price of new cars will rise due to fuel economy improvements. For example, a 40 percent improvement over 1974 would increase the price up to 10 percent. Savings in operating and maintenance costs, however, will more than offset these price increases for the vehicle owner.

- b. A sustained or increased shift to the more fuel economical small cars, without a concurrent upgrading of their crashworthiness or increased utilization of effective passenger restraints, will result in a rise in the serious injury and death rate on the highway. There is some limited evidence which indicates that crashworthiness of the smaller car can be upgraded without serious weight penalties.
- c. Achievement of the statutory emission standards for hydrocarbons and carbon monoxide with substantial fuel economy improvement is feasible in the new car fleet of 1980 compared to 1974. The issue of the level and cost of the oxides of nitrogen emission achievable by 1980 concurrent with substantial fuel economy improvement is unresolved."

And from page 31 there is this statement that recognizes that the Report's conclusions are based on a certain amount of speculation and informed judgment:

"Engine modifications provide the largest single increase in fuel economy for each of the three size classes.... Some manufacturers have obtained the bulk of the fuel economy increase due to engine changes in the 1975 model year. Other manufacturers can probably make the improvements to their engines in the next few years with the emission standards for 1975 and 1976 model cars.... The major uncertainties in projecting engine fuel efficiency improvements attainable through technology modifications derive from the fact that it is not presently possible to predict what fuel penalties may result from technology modifications required to meet future emission standards, especially the 0.4 gm/m NO_x standard. There is an indication that increasingly stringent emission standards can be met by manufacturers with little fuel economy penalty by use of more sophisticated emission control technology at greater first cost to the consumer, although the necessary technology has not been fully developed."

Our present analysis, which we hope to have completed in 4 to 6 weeks, is directed at eliminating as much of the speculation as possible.

That concludes my prepared statement. Now either I or my associates will attempt to answer your questions.