STATEMENT OF HOWARD J. DUGOFF, DEPUTY ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON ECONOMIC STABILIZATION, SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS, CONCERNING THE EFFECT OF REGULATION ON THE AUTOMOTIVE INDUSTRY, APRIL 26, 1979.

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before your Subcommittee to discuss regulation of the automobile industry and its effect on the economy. The National Highway Traffic Safety Administration promulgates auto safety and consumer information regulations under the National Traffic and Motor Vehicle Safety Act and bumper and fuel economy standards under the Motor Vehicle Information and Cost Savings Act.

The NHTSA's regulatory activities undergo regular scrutiny to ensure that they remain beneficial in light of changing conditions on the highway and in the economy and to achieve their ends as efficiently as possible. President Carter's emphasis on the evaluation process has lead to the refinement of systematic planning and assessment in the Department, in accordance with Secretary Adams' policy implementing Executive Order 12044.

The Government Accounting Office has estimated that the motor vehicle safety standards in effect through 1974 saved more than 28,000 lives. Projecting the same rate of savings through 1978, we would estimate that about 55,000 lives have been saved. We calculate that the cost for these life savings, and for the savings of many more serious injuries, comes to about $275 of the retail price of the typical 1979-model passenger car.

We have just issued a revision of our 5-year rulemaking plan that sets forth our priorities for future safety standards and evaluation of existing standards. The plan allows the automotive industry and others to understand fully our plans and priorities, and also to offer suggestions for appropriate improvements.

The 5-year plan also addresses another major area of automotive regulatory responsibility, the setting of corporate average fuel economy (CAFE) standards under Title V of the Cost Savings Act. Title V's goal of improving the fuel efficiency of the nation's automobile fleet is critical to the Nation. About one-half of the petroleum consumed in the United States is used as motor fuel. Also, about one-half of the petroleum used in this country is imported. The fuel economy increases mandated by Title V are necessary to ease the financial pressures of petroleum imports on the nation's economy and to hold down the cost of motor vehicle use to consumers.

The benefits of the fuel economy standards that are already in place will be dramatic. The requirements for passenger automobiles through model year 1985, and for light trucks through model year 1981, correspond to a reduction of 220 billion gallons of gasoline from 1978 through 1990, or savings of $60 billion dollars in imported fuel costs. Using the figure of $.80 per gallon, we project an average net lifetime savings of $700 per vehicle for 1985-model automobiles and 1981-model light trucks meeting the fuel economy standards now in place, in relation to the fuel economy of 1977-model vehicles.

The Department recognizes that improvement of fuel economy requires new levels of commitment from the automobile manufacturing industry and its suppliers. We have performed extensive and detailed economic analyses, focusing on the capital investment; competitive effect; safety; damageability; emissions; and market acceptance considerations that face a manufacturer subject to the fuel economy standards. Our Third Annual Report to Congress on Title V summarizes this analysis and our current thinking on the outstanding issues we are addressing. For example, Chapter V details our estimate of additional capital required in the 1978-84 period by the domestic auto manufacturers to achieve the fuel economy standards using a reasonable choice of technologies.

We projected a 47-percent increase in overall capital needs for the domestic manufacturers in the 1978-84 period. It was not possible to separate out exactly what portion of that increase is attributable to mandated fuel economy improvements, as opposed to the myriad other reasons a company redesigns its products, but we concluded that the projected total of additional commitments by each manufacturer would be within its capabilities in a continuing healthy economy. In the event of changed economic conditions, we have administrative authority to revise the standards, and we would re-evaluate the economic practicability of the passenger car and light truck standards.

In December, Ford and General Motors told us they believe that passenger car standards for model years 1981 through 1984 should be revised down to levels that, at maximum, would require a linear increase of 1 1/2 miles-per-gallon from the 1980 level through the 1985 level. They claim that these reduced standards would be more cost-effective than the existing standards.

We have received the documentation from Ford and General Motors supporting their positions and are presently evaluating it to determine whether the initiation of rule-making to amend the requirements is warranted on statutory grounds. We plan to complete our preliminary assessment by the end of this month.

We have two actions pending on light trucks as well. Last year, the agency established standards for 1981-model light trucks at 18 miles-per-gallon for most two-wheel drive trucks and 15.5 miles-per-gallon for most four-wheel drive vehicles. Last fall, Chrysler petitioned for a reduction in these standards to 16.5 and 14.5 miles-per-gallon, respectively. The comment period has closed for our notice on this petition, and we expect to announce a decision very shortly. That action has slightly delayed the promulgation of standards for 1982 through 1984 light trucks. We expect to be able to issue a notice for these standards in May, and to complete this rulemaking within 4 to 6 months thereafter.

Before closing, I would like to comment very briefly on the issue of coordination among the Federal regulatory agencies as their programs affect the automobile. The Department of Energy and the Environmental Protection Agency have participated in all our hearings and there has been close coordination on the issuance of proposals and rules. The establishment of 1981-1984 passenger-car fuel economy standards took into account the impact of all other existing and scheduled automobile requirements.

I would be pleased to answer any questions you or other members of the Committee might have.