

TESTIMONY OF
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DEPUTY ASSISTANT SECRETARY FOR POLICY
AND INTERNATIONAL AFFAIRS
U. S. DEPARTMENT OF TRANSPORTATION
BEFORE THE HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY, CONSERVATION AND POWER
SUBCOMMITTEE ON FOSSIL AND SYNTHETIC FUELS
APRIL 4, 1984

GOOD MORNING MESSRS. CHAIRMEN AND MEMBERS OF THE
SUBCOMMITTEES.

I AM PLEASED TO APPEAR BEFORE YOU THIS MORNING TO PRESENT
THE DEPARTMENT OF TRANSPORTATION'S (DOT) OBSERVATIONS ON
H.R. 4855, THE "METHANOL ENERGY POLICY ACT OF 1984", H.R. 5075,
THE "METHANOL POLICY ACT OF 1984", AND H.R. 4975, A BILL TO PLACE
METHANOL MADE FROM NATURAL GAS ON AN ENERGY-EQUIVALENT TAX
BASIS WITH OTHER FUELS, AS THESE BILLS PERTAIN TO EXISTING DOT
PROGRAMS AND POLICIES. DOT WISHES TO COOPERATE IN REMOVING
ANY DISINCENTIVES THAT MAY CURRENTLY IMPEDE THE USE OF
METHANOL FUELS. I WILL CONCENTRATE ON THOSE PORTIONS OF THE
THREE BILLS THAT DIRECTLY AFFECT DOT.

BUS DEMONSTRATIONS

MESSRS. CHAIRMEN, THE DEPARTMENT'S URBAN MASS
TRANSPORTATION ADMINISTRATION (UMTA) MAKES GRANT FUNDS
AVAILABLE FOR THE PURCHASE OF BUSES AND GRANTEEES MAY USE
SUCH FUNDS TO BUY ANY TYPE OF BUS INCLUDING METHANOL-POWERED

BUSES. UNDER H.R. 4855, UMTA GRANT MONEY WOULD SPECIFICALLY BE PROVIDED FOR THE PURCHASE OF METHANOL-POWERED BUSES IN FY 1985. IN ADDITION, H.R. 5075 WOULD GENERALLY REQUIRE UMTA GRANTEES TO PURCHASE AT LEAST ONE METHANOL-POWERED BUS BEGINNING IN FISCAL YEAR 1988.

UNDER CURRENT LAW, UMTA MAKES GRANT FUNDS AVAILABLE FOR THE PURCHASE OF ANY TYPE OF TRANSIT VEHICLE, INCLUDING METHANOL-POWERED BUSES. MOREOVER, UMTA IS CURRENTLY CONDUCTING OR PROVIDING INFORMATIONAL ASSISTANCE FOR A NUMBER OF METHANOL RESEARCH PROJECTS NATIONWIDE. IN FLORIDA, A METHANOL ENGINE RESEARCH PROJECT IS DEVELOPING A MODIFICATION KIT THAT WILL ALLOW A STANDARD U.S. TRANSIT BUS TO OPERATE ON METHANOL FUEL. THE MODIFICATION SCHEME HAS BEEN DESIGNED AND ONE ENGINE IS CURRENTLY UNDERGOING PERFORMANCE AND EMISSION TESTS. THE FLORIDA DEPARTMENT OF TRANSPORTATION HAS APPLIED FOR DISCRETIONARY CAPITAL ASSISTANCE TO REHABILITATE AND MODIFY THREE ADDITIONAL BUSES FOR USE WITH METHANOL FUELS.

UMTA IS PROVIDING THE CALIFORNIA ENERGY COMMISSION (CEC) WITH INFORMATION, IN THE FORM OF ENVIRONMENTAL ASSESSMENTS AND TEST PLANS, TO ASSIST THAT ORGANIZATION IN DEVELOPING METHANOL-POWERED BUSES. CEC IS NOW FUNDING THE TEST OF TWO METHANOL-POWERED BUSES AT THE GOLDEN GATE TRANSIT DISTRICT.

IN ADDITION, A STUDY CONDUCTED BY THE PORT AUTHORITY OF ALLEGHENY COUNTY (PITTSBURGH, PENNSYLVANIA) UNDER AN UMTA GRANT EXAMINED THE FEASIBILITY OF OPERATING TRANSIT BUSES WITH A VARIETY OF FUELS. THE STUDY RECOMMENDED THAT METHANOL WOULD BE THE BEST ALTERNATIVE TO PETROLEUM FOR TRANSIT BUSES.

WE BELIEVE THAT THE PROPER ROLE OF THE FEDERAL GOVERNMENT IS TO PROVIDE AN IMPETUS FOR THE DEVELOPMENT OF METHANOL BUSES USING DEMONSTRATION PROJECTS AND TECHNICAL ASSISTANCE AND WE BELIEVE OUR EXISTING STATUTORY AUTHORITY IS ADEQUATE TO ALLOW US TO FULFILL THIS ROLE. UMTA WILL CONTINUE TO ENCOURAGE ITS GRANTEES TO CONSIDER THE BENEFITS OF ALTERNATIVE FUELS SUCH AS METHANOL, WHILE ALSO RESPECTING THE PROPER ROLE OF LOCAL DECISIONMAKING.

PIPELINE STUDY

MESSRS. CHAIRMEN, AS YOU KNOW, DOT, AND SECRETARY DOLE IN PARTICULAR, HAVE PLACED THE HIGHEST PRIORITY ON IMPROVING SAFETY IN ALL MODES OF TRANSPORTATION. H.R. 4855 WOULD REQUIRE THE DEPARTMENT TO STUDY THE ECONOMIC FEASIBILITY AND SAFETY CONSIDERATIONS ATTENDANT TO THE TRANSPORTATION OF METHANOL THROUGH THE INTERSTATE LIQUID PIPELINE SYSTEM. AT THIS TIME, THE DEPARTMENT'S MATERIALS TRANSPORTATION BUREAU IS UNAWARE OF ANY SPECIAL SAFETY PROBLEMS RELATED TO THE TRANSPORTATION OF METHANOL BY PIPELINE. I WISH TO EMPHASIZE HOWEVER, THAT THE

DEPARTMENT IS COMMITTED TO WORK CLOSELY WITH ALL INTERESTED PARTIES TO REASSURE THE PUBLIC THAT THE HIGHEST SAFETY STANDARDS ARE MAINTAINED. THEREFORE, WE WILL STUDY THE FEASIBILITY AND ANY POTENTIAL PROBLEMS INHERENT IN THE TRANSPORTATION OF METHANOL BY PIPELINE, IF THE CONGRESS REQUESTS US TO DO SO.

HIGHWAY ALLOCATIONS

CURRENT LAW PROVIDES FOR A "MINIMUM ALLOCATION" TO ENSURE THAT EACH STATE'S PERCENTAGE OF TOTAL HIGHWAY APPORTIONMENTS FOR FISCAL YEARS 1983 THROUGH 1986 WILL NOT BE LESS THAN 85% OF THE PERCENTAGE OF TAXES ESTIMATED TO BE PAID INTO THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND (HTF) FROM THAT STATE. THIS PROVISION, ENACTED BY THE STAA OF 1982, REDUCES THE DISPARITY BETWEEN THE AMOUNT OF MONEY A STATE PAYS INTO THE HTF, AND WHAT IT SUBSEQUENTLY RECEIVES BACK. WE UNDERSTAND H.R. 4855 TO REFORMULATE THE MINIMUM ALLOCATION TO THE STATES BY DETERMINING THE AMOUNT OF MONEY A STATE IS TO RECEIVE AS IF THE FULL 9 CENT-PER-GALLON TAX WERE PAID ON METHANOL USED AS MOTOR FUEL. AS YOU KNOW, CERTAIN TYPES OF METHANOL ARE COMPLETELY ALREADY EXEMPT FROM THE MOTOR FUELS TAX AND THESE BILLS WOULD PROVIDE A REDUCED RATE OF TAXATION FOR OTHER TYPES. THUS, THE EFFECT OF THE ALLOCATION PROVISION WOULD BE TO DISTORT THE ATTRIBUTION OF HTF PAYMENTS TO THE STATES BY OVERCREDITING SOME STATES AND SHORTCHANGING

OTHERS. BY CREATING A FICTION THAT SOME STATES' HIGHWAY USERS ARE PAYING FEDERAL TAXES ON METHANOL THEY ARE NOT ACTUALLY PAYING, WE WOULD CONFLICT WITH THE EFFORTS TO ESTABLISH A MORE EQUITABLE RETURN TO THE STATES BASED ON ACTUAL TAX PAYMENTS THE DEPARTMENT BELIEVES THAT THE TAXES ON ALL MOTOR FUELS SHOULD BE CREDITED TO THE STATES ACCORDING TO ACTUAL PAYMENTS.

MOTOR FUEL TAX EXEMPTION

THE DEPARTMENT HAS REVIEWED THE METHANOL TAX PROVISIONS IN H.R. 4855 AND H.R. 4975. SINCE THE REVENUE LOSS UNDER EITHER PROPOSAL WOULD BE MINIMAL AT THIS TIME, WE PRESENTLY CONSIDER THIS TO BE PRIMARILY AN ISSUE OF ENERGY POLICY RATHER THAN ONE OF HIGHWAY REVENUE. THEREFORE THE DEPARTMENT DEFERS TO DOE REGARDING THE ENERGY POLICY IMPACT OF THESE PROPOSALS. THE DEPARTMENT HAS NOT ANALYZED THE POTENTIAL LONG-TERM REVENUE EFFECTS OF THESE TAX PROVISIONS, SO WE ARE NOT IN A POSITION TO COMMENT ON THIS AT THIS TIME.

INTERAGENCY COOPERATION

AS PART OF THE DEPARTMENT'S DESIRE TO DEVELOP A COGENT AND COORDINATED POLICY, WE ARE WORKING CLOSELY WITH THE OTHER CONCERNED FEDERAL AGENCIES, INCLUDING EPA, ENERGY AND

TREASURY, IN THE AREA OF ALTERNATIVE FUEL DEVELOPMENT. THE CABINET COUNCIL ON NATURAL RESOURCES AND ENVIRONMENT HAS PLAYED AN IMPORTANT ROLE IN COORDINATING THE EFFORTS OF THESE AGENCIES. BECAUSE WE HAVE FOUND THIS ARRANGEMENT TO BE BOTH PRODUCTIVE AND FLEXIBLE, WE DO NOT BELIEVE THAT AN ADDITIONAL INTERAGENCY GROUP IS NECESSARY.

CAFE

H.R. 5075 WOULD INCLUDE METHANOL AS A FUEL FOR CORPORATE AVERAGE FUEL ECONOMY (CAFE) PURPOSES. EXISTING LAW DOES NOT SPECIFICALLY COVER METHANOL-POWERED CARS, WHICH MAY CREATE SOME UNCERTAINTY AS TO THEIR TREATMENT, BUT THEY COULD BE INCLUDED THROUGH RULEMAKING. THE DEPARTMENT SUPPORTS EFFORTS TO REMOVE DISINCENTIVES AND UNCERTAINTY IN THE USE OF METHANOL. WE ARE EXAMINING THIS IMPORTANT ISSUE TO IDENTIFY ANY PROBLEMS AND TO ACT PROMPTLY TO DEVELOP ANY NEEDED SOLUTIONS.

THIS COMPLETES MY STATEMENT, MR. CHAIRMAN. I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU OR MEMBERS OF THE COMMITTEE MAY HAVE.