TESTIMONY OF JOSEPH F. CANNY
DEPUTY ASSISTANT SECRETARY FOR POLICY
AND INTERNATIONAL AFFAIRS
DEPARTMENT OF TRANSPORTATION
BEFORE
HOUSE OF REPRESENTATIVES COMMITTEE ON GOVERNMENT OPERATIONS
SUBCOMMITTEE ON GOVERNMENT ACTIVITIES AND TRANSPORTATION PROTOCOLS
MAY 29, 1991

I AM PLEASED TO REVIEW FOR YOUR COMMITTEE THE PARTICIPATION OF THE DEPARTMENT OF TRANSPORTATION IN THE DEVELOPMENT OF THE NATIONAL ENERGY STRATEGY (NES). THE DEPARTMENT'S ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, MR. JEFFREY SHANE, WAS OUR DESIGNEE TO THE ECONOMIC POLICY COUNCIL WORKING GROUP WHICH WAS FORMED TO OVERSEE DEVELOPMENT OF THE NES. I SERVED AS THE PRINCIPAL POINT OF CONTACT IN THE DEPARTMENT OF TRANSPORTATION FOR OUR DAY-TO-DAY WORK WITH THE DEPARTMENT OF ENERGY IN THE EVOLUTION OF THE STRATEGY.

NATIONAL ENERGY STRATEGY

AS NOTED IN OUR PRIOR COMMUNICATION WITH THE COMMITTEE, THE ECONOMIC POLICY COUNCIL WORKING GROUP ON THE NES WAS ESTABLISHED IN FEBRUARY 1990 TO PROVIDE FOR INTERAGENCY PARTICIPATION IN DEVELOPMENT OF THE STRATEGY. THREE MAJOR STAFF LEVEL WORKING GROUPS WERE ESTABLISHED FOR THE KEY ENERGY POLICY AREAS. THE MAJOR WORKING GROUPS COVERED THE AREAS OF ENERGY SECURITY, ENVIRONMENT, AND ELECTRICITY. A NUMBER OF SUB GROUPS WERE ESTABLISHED UNDER EACH OF THE WORKING GROUPS. IN THE ENERGY SECURITY AREAS THE DEPARTMENT OF TRANSPORTATION PARTICIPATED ON SUBGROUPS DEALING WITH AUTOMOBILE FUEL ECONOMY; ENERGY TAXES;

ALTERNATIVE FUELS; AND THE COSTS AND BENEFITS OF ENVIRONMENTAL REGULATIONS AFFECTING OIL AND GAS PRODUCTION. THE DEPARTMENT PARTICIPATED ON STAFF SUBGROUPS IN THE ENVIRONMENT AREA DEALING WITH ENVIRONMENTAL IMPLICATIONS OF ENERGY PRODUCTION, TRANSPORTATION AND CONSUMPTION; IMPACT OF ENVIRONMENTAL REGULATION ON ENERGY SUPPLY AND DEMAND; AND GLOBAL CLIMATE CHANGE. WE ALSO PARTICIPATED IN DELIBERATIONS WITH RESPECT TO THE NES CONSIDERATION OF ISSUES SUCH AS SCIENCE AND ENGINEERING RESEARCH; TECHNOLOGY TRANSFER; AND EDUCATION.

OUR MAJOR INTERACTION WITH THE DEPARTMENT OF ENERGY WAS IN THE AREA OF TRANSPORTATION ENERGY USE AND EFFICIENCY. THE NES CONTAINS EXTENSIVE BACKGROUND ON EXISTING AND PROJECTED ENERGY USE FOR TRANSPORTATION. THE TRANSPORTATION ENERGY USE SECTION OF THE NES ADDRESSES ALL OF THE KEY ENERGY ISSUES WHICH WE BELIEVE ARE IMPORTANT FOR THE LONG TERM FUTURE OF THE TRANSPORTATION SECTOR. IN PARTICULAR, IT INCLUDES DISCUSSION OF AUTOMOBILE AND TRUCK FLEET FUEL EFFICIENCY; PROGRAMS FOR SCRAPPAGE OF THE OLDEST AND LEAST EFFICIENT VEHICLES STILL ON THE HIGHWAYS; FUEL ECONOMY STANDARDS; NEW VEHICLE PROPULSION TECHNOLOGIES; THE ROLE OF CONSUMERS IN IMPROVING FUEL ECONOMY AND EFFICIENCY; ALTERNATIVE TRANSPORTATION FUELS; AND EFFICIENCY OF THE OVERALL TRANSPORTATION SYSTEM. IN EACH AREA, THE DEPARTMENT OF TRANSPORTATION PARTICIPATED EXTENSIVELY IN THE EVOLUTION OF THE STRATEGY AND AGREES WITH THE RECOMMENDATIONS AND CONCLUSIONS OF THE NES.

YOU SPECIFICALLY ASKED WHETHER ITEMS SUCH AS CORPORATE AVERAGE FUEL ECONOMY (CAFE) ARE TREATED ADEQUATELY IN THE NES. WE BELIEVE THEY ARE. VEHICLE FUEL ECONOMY WAS REVIEWED EXTENSIVELY IN THE WORKING GROUPS. APPROPRIATE BACKGROUND PAPERS WERE EXCHANGED, LITERATURE SEARCHES WERE COMPLETED AND VARIOUS POLICY APPROACHES WERE CONSIDERED. THE NES NOTES BOTH THE SIGNIFICANT GAINS IN VEHICLE FUEL EFFICIENCY OVER THE PAST FIFTEEN YEARS AND SOME OF THE CONCERNS ABOUT THE EXISTING CORPORATE AVERAGE FUEL ECONOMY PROGRAM.

AS THE NES DELIBERATIONS PROCEEDED, THE DEPARTMENT OF TRANSPORTATION DETERMINED THAT WE NEEDED FURTHER ASSESSMENT OF FEASIBLE FUEL ECONOMY LEVELS FOR THE NEXT DECADE. THE DEPARTMENT HAS COMMISSIONED A STUDY BY THE NATIONAL ACADEMY OF SCIENCES TO ASSESS THE TECHNICAL FEASIBILITY OF HIGHER FUEL ECONOMY LEVELS TAKING INTO CONSIDERATION THE COST TO CONSUMERS AND SAFETY IMPLICATIONS. PHASE I OF THE STUDY IS WELL UNDERWAY AND WE EXPECT THE RESULTS FROM THE STUDY THIS SUMMER. WHILE THE STUDY WILL NOT ADDRESS ALL OF THE QUESTIONS RELEVANT TO CAFE POLICY, IT SHOULD PROVIDE IMPORTANT INSIGHTS USEFUL TO POLICY MAKERS. AN OUTLINE OF THE SPECIFICATIONS OF THE STUDY IS ATTACHED TO MY WRITTEN TESTIMONY.

NES IMPLEMENTATION

YOU ALSO ASKED ABOUT THE DEPARTMENT'S PLANS TO MOVE FORWARD WITH THE STRATEGY. WE PLAN TO WORK CLOSELY WITH THE DEPARTMENT OF ENERGY, OTHER FEDERAL AGENCIES, STATE AND LOCAL GOVERNMENTS AND

THE PRIVATE SECTOR, AS APPROPRIATE, TO IMPLEMENT THE NES RECOMMENDATIONS IN THE TRANSPORTATION AREA. PRIMARY RESPONSIBILITY FOR IMPLEMENTATION OF THE NES WILL LIE WITH THE DEPARTMENT OF ENERGY. FOR EXAMPLE, DEVELOPMENT OF NEW VEHICLE PROPULSION TECHNOLOGIES AND OF ALTERNATIVE TRANSPORTATION FUELS ARE IMPORTANT AREAS FOR DOE RESEARCH. THE DEPARTMENT OF TRANSPORTATION IS PARTICIPATING IN THE ALTERNATIVE FUELS DEVELOPMENT EFFORTS. WE HAVE, FOR THE PAST SEVERAL YEARS, SUPPORTED TEST PROGRAMS WITH ALTERNATIVE FUELED TRANSIT BUSES AND WE ARE CONTINUING TO PURSUE THOSE EFFORTS.

FURTHER, WE REVIEWED, COMMENTED ON AND ENDORSED THE ADMINISTRATION'S LEGISLATIVE PROPOSAL-- H.R. 1301 -- TO IMPLEMENT THE NATIONAL ENERGY STRATEGY. WE ARE ALSO CONTINUING TO LOOK AT MEANS OF IMPROVING THE EFFICIENCY OF THE OVERALL TRANSPORTATION SYSTEM. WE HAVE AN EVOLVING RESEARCH PROGRAM ON INTELLIGENT VEHICLE AND HIGHWAY SYSTEMS, WHICH HAVE THE POTENTIAL FOR SIGNIFICANTLY INCREASING AUTOMOBILE TRANSPORTATION EFFICIENCY IN THE DECADES AHEAD. WE ARE REVIEWING AND PERFORMING RESEARCH ON HIGH SPEED RAIL SYSTEMS, INCLUDING MAGNETIC LEVITATION APPROACHES. WE ARE ALSO CONTINUING EFFORTS TO ENCOURAGE THE USE OF MASS TRANSIT IN PLACE OF PRIVATE SINGLE OCCUPANCY MOTOR VEHICLES FOR COMMUTING. THE ADMINISTRATION'S PROPOSED SURFACE TRANSPORTATION ASSISTANCE ACT OF 1991 (H.R. 1351), FOR EXAMPLE, PLACES MAJOR EMPHASIS ON GREATER FLEXIBILITY FOR STATE AND LOCAL TRANSPORTATION AGENCIES TO PLAN AND IMPLEMENT EITHER TRANSIT OR HIGHWAY PROJECTS, DEPENDING ON LOCAL NEEDS.

CAFE PROGRAM

YOUR INVITATION ALSO ASKED FOR INFORMATION ON THE DEPARTMENT'S TREATMENT OF CAFE AND FUEL ECONOMY RESEARCH. IN ACCORDANCE WITH THE ENERGY POLICY AND CONSERVATION ACT OF 1975, THE DEPARTMENT THROUGH THE NATIONAL HIGHWAY SAFETY ADMINISTRATION (NHTSA), ESTABLISHED PASSENGER CAR FUEL ECONOMY STANDARDS FOR MANUFACTURERS FOR MODEL YEARS (MYS) 1981-1984 TO COMPLEMENT THOSE SPECIFIED IN THE ACT FOR MYS 1978-1980 AND MY 1985 AND BEYOND. IN RESPONSE TO PETITIONS FROM SEVERAL MANUFACTURERS, NHTSA CONDUCTED THREE RULEMAKING ACTIONS THAT CHANGED THE ORIGINAL AUTOMOBILE STANDARDS FOR MY 1986 AND MYS 1987-1988 TO 26 MPG AND FOR MY 1989 TO 26.5 MPG. NHTSA DENIED PETITIONS TO LOWER THE STANDARD FOR MY 1990. NHTSA ALSO ESTABLISHED FUEL ECONOMY STANDARDS FOR LIGHT TRUCKS FOR MYS 1979 THROUGH 1994 BY RULEMAKING ACTIONS.

IN SUPPORT OF THE FUEL ECONOMY PROGRAM, NHTSA HAS CONDUCTED MANY STUDIES AND RESEARCH PROGRAMS ON THE TECHNOLOGICAL, ECONOMIC, SAFETY AND ENVIRONMENTAL ASPECTS OF FUEL ECONOMY ACTIONS. WITH PARTICUARL EMPHASIS ON SAFETY IN REGARDS TO FUEL ECONOMY, NHTSA HAS FOUND THAT THE 1970's AND 1980's DOWNSIZING OF CARS ACCOUNTS FOR ABOUT 2,000 DEATHS AND 20,000 SERIOUS INJURIES EACH YEAR. THIS WORK HAS BEEN CONDUCTED IN-HOUSE, INCLUDING SUPPORT BY THE DEPARTMENT'S TRANSPORTATION SYSTEMS CENTER, AND BY CONTRACT. THE LIST OF THESE PROJECTS IS EXTENSIVE AND I HAVE ATTACHED FOR THE COMMITTEE'S USE A COMPILATION OF STUDIES UNDERTAKEN SINCE 1980.

IN ADDITION, NHTSA HAS USED RELATED STUDIES PRODUCED BY OR FOR THE ENVIRONMENTAL PROTECTION AGENCY, THE DEPARTMENT OF ENERGY, AND THE OFFICE OF TECHNOLOGY ASSESSMENT. THE AGENCY PLANS TO CONTRACT FOR A PROGRAMMATIC ENVIRONMENTAL IMPACT STATEMENT TO REVIEW THE HISTORIC ENVIRONMENTAL EFFECTS OF THE FUEL ECONOMY PROGRAM AND TO PROJECT THE ENVIRONMENTAL EFFECTS OF FUTURE ALTERNATIVE FUEL ECONOMY ACTIONS.

ALTERNATE FUELS

AS I ALSO NOTED PREVIOUSLY, THE DEPARTMENT OF ENERGY IS THE LEAD AGENCY ON ALTERNATIVE FUEL TECHNOLOGY, USE AND AVAILABILITY. HOWEVER, DOT, THROUGH THE URBAN MASS TRANSPORTATION ADMINISTRATION, IS ADMINISTERING AN ALTERNATIVE FUELS BUS TESTING PROGRAM.

THE OBJECTIVE OF OUR PROGRAM IS TO ASSIST STATE AND LOCAL GOVERNMENTS IN TESTING, IN URBAN SETTINGS, BUSES CAPABLE OF OPERATING ON ALCOHOL AND NATURAL GAS FUELS. THE TESTS ARE TO GENERATE INFORMATION ON EMISSIONS, DURABILITY, SAFETY, FUEL ECONOMY AND OTHER ISSUES OF CONCERN TO INDUSTRY AND GOVERNMENT ORGANIZATIONS.

THE URBAN MASS TRANSPORTATION ADMINISTRATION HAS INTEGRATED THIS TESTING WITH THEIR CLEAN AIR PROGRAM (CAP). THE CAP INCLUDES AN ALTERNATIVE FUEL INITIATIVE, UNDER WHICH 45 GRANTS HAVE BEEN AWARDED FOR 575 VEHICLES, TOTALLING OVER $70 MILLION IN FEDERAL FUNDS. THE CAP ALSO INCLUDED A METHANOL BUS DEMONSTRATION

PROGRAM, WHICH HAS INVOLVED APPROXIMATELY 60 BUSES IN SEVEN LOCATIONS.

PROJECTS UNDER THESE GRANTS ARE IN VARIOUS STAGES OF IMPLEMENTATION. SPECIFICALLY, THE 60 METHANOL BUSES ARE IN OPERATION AS ARE ABOUT 100 OF THE OTHER ALTERNATIVE FUEL BUSES. THE REMAINING BUSES ARE IN THE PROCUREMENT PROCESS. IN ADDITION, DEVELOPMENT OF METHANOL-BASED ENGINES HAS PROCEEDED BEYOND THE DEMONSTRATION PHASE TO THE POINT WHERE PRODUCTION HAS BEGUN. COMPRESSED NATURAL GAS (CNG) ENGINES FOR BUSES ARE STILL IN DEVELOPMENT. HOWEVER BUSES WITH PROTOTYPE COMPRESSED NATURAL GAS ENGINES ARE NOW IN REVENUE SERVICE AS PART OF OUR ALTERNATIVE FUELS BUS TESTING PROGRAM, AND CNG ENGINES ARE EXPECTED TO BE IN GENERAL PRODUCTION WITHIN A YEAR.

I WOULD ALSO NOTE THAT A NUMBER OF THE MOBILE SOURCE PROVISIONS OF THE CLEAN AIR ACT AMENDMENTS WILL ENCOURAGE THE USE OF ALTERNATIVE FUELS, EITHER AS REPLACEMENTS FOR GASOLINE AND DIESEL FUEL (IF REFORMULATED GASOLINE AND DIESEL CANNOT MEET CLEAN AIR ACT TAILPIPE OR OTHER STANDARDS) OR AS ADDITIVES TO REFORMULATED GASOLINE AND DIESEL FUEL, AS OXYGENATES AND OCTANE ENHANCERS.

RAIL AND ALTERNATIVE MODES

YOUR LETTER OF INVITATION ALSO RAISED THE ISSUE OF THE ROLE OF RAIL AND ALTERNATIVE MODES IN THE NATION'S ENERGY POLICY. CURRENT TRENDS IN THAT REGARD ARE NOT ENCOURAGING.

OUR STATISTICS INDICATE THAT 75 PERCENT OF THE NATION'S DAILY PASSENGER TRIPS WERE MADE IN METROPOLITAN AREAS. OF THESE, 81 PERCENT WERE MADE BY AUTOMOBILES OR TRUCKS, 3 PERCENT BY PUBLIC TRANSPORTATION AND THE REMAINING 16 PERCENT BY OTHER MEANS, PRIMARILY WALKING AND SCHOOL BUS. SINCE 1950, 86% OF METROPOLITAN GROWTH HAS OCCURRED IN THE SUBURBS. BETWEEN 1960 AND 1980, TWO-THIRDS OF METROPOLITAN JOB GROWTH WENT TO THE SUBURBS. CONSEQUENTLY, 58% OF ALL COMMUTER TRIPS ARE NOW SUBURB-TO-SUBURB, MAKING IT THE DOMINANT COMMUTING PATTERN AND REPLACING SUBURB-TO-CENTRAL CITY TRAVEL. NATIONWIDE, THE PERCENT OF HOUSEHOLDS WITH NO AUTOMOBILE HAS DROPPED TO 8 PERCENT, WHILE HOUSEHOLDS WITH 2 OR MORE AUTOMOBILES REACHED 60 PERCENT, AND EVEN MORE ASTONISHING, THE PERCENT OF HOUSEHOLDS WITH 3 OR MORE AUTOMOBILES REACHED 22 PERCENT.

AS A RESULT OF THESE TRENDS, WORK TRAVEL BY PRIVATE VEHICLES INCREASED FROM 70 TO 85 PERCENT OF ALL WORK TRAVEL. TRANSIT'S SHARE OF THE WORK TRAVEL MARKET HALVED FROM 12.6% TO 6.2%.

THE INTERCITY TRAVEL MARKET IS SIMILARLY DOMINATED BY THE AUTOMOBILE; OVER 90 PERCENT OF THE DOMESTIC PASSENGER TRIPS ARE BY AUTOMOBILE. THE REMAINING PUBLIC CARRIER PORTION OF THE INTERCITY TRAVEL MARKET IS DOMINATED BY AIR TRAVEL WITH 5 PERCENT OF THE PASSENGERS TRIPS AND OVER 20 PERCENT OF THE PASSENGER MILES.

THESE DATA DETAIL HOW MUCH AMERICAN SOCIETY AND THE TRANSPORTATION SYSTEM HAVE BECOME DEPENDENT UPON AND ENTWINED WITH OUR HIGHWAY

SYSTEM. THE WIDE DISPERSION OF TRIP ORIGINS AND DESTINATIONS HAS BEEN DIFFICULT TO SERVE WITH CONVENTIONAL PUBLIC TRANSPORTATION SERVICE AND HAS REDUCED TRANSIT'S ATTRACTIVENESS IN MANY OF ITS TRADITIONAL MARKETS.

IN RECENT YEARS THERE HAS BEEN AN UPSURGE OF INTEREST IN BUILDING NEW URBAN RAIL TRANSIT SYSTEMS AND EXTENSIONS TO EXISTING ONES. HOWEVER, MANY OF THE URBAN AREAS PLANNING AND CONSTRUCTING NEW RAIL SYSTEMS HAVE LOWER DENSITIES OF DEVELOPMENT, MORE DISPERSED TRAVEL PATTERNS AND SMALLER CENTRAL CORES THAN OLDER AREAS THAT HAVE LONG HAD RAIL TRANSIT. AS A RESULT, IT IS MORE DIFFICULT FOR RAIL SYSTEMS IN THESE AREAS TO PROVIDE A COMPETITIVE ADVANTAGE OVER THE AUTOMOBILE. RIDERSHIP LEVELS ARE OFTEN LOWER THAN FOR RAIL SYSTEMS OF COMPARABLE SIZE IN DENSER AREAS. IN MANY OF THESE INSTANCES, HIGH QUALITY EXPRESS BUS SERVICE, HIGH OCCUPANCY VEHICLE LANES, RIDESHARING, AND OTHER TRANSPORTATION SYSTEM MANAGEMENT STRATEGIES MAY BE MORE EFFECTIVE IN SERVING URBAN TRAVEL NEEDS.

WE BELIEVE THAT PROGRESS IN DIVERTING TRAFFIC FROM SINGLE OCCUPANT AUTOS AND IN USING HIGHWAY VEHICLES MOST EFFECTIVELY MUST RESPOND TO THE PARTICULAR MARKETS AND CIRCUMSTANCES SERVED. IT WILL REQUIRE INNOVATIVE APPROACHES BY STATE AND LOCAL OFFICIALS AND WILL NECESSITATE A FLEXIBLE APPROACH BY ALL LEVELS OF GOVERNMENT.

AS I PREVIOUSLY MENTIONED, THE ADMINISTRATION'S PROPOSED SURFACE TRANSPORTATION LEGISLATION INCLUDES IMPORTANT INITIATIVES TO

PROMOTE SUCH FLEXIBILITY. THE LEGISLATION WOULD IMPLEMENT POLICIES AND STRATEGIES SET FORTH IN "MOVING AMERICA," THE ADMINISTRATION'S STATEMENT OF NATIONAL TRANSPORTATION POLICY, WHICH WAS PUBLISHED LAST YEAR. WHILE THIS BILL CONTINUES TO SUPPORT AN INTERSTATE HIGHWAY SYSTEM, WHICH IS ESSENTIAL TO THE ECONOMIC HEALTH AND PRODUCTIVITY OF THE NATION, IT ALSO PROVIDES SUBSTANTIAL NEW FLEXIBILITY FOR STATE AND LOCAL TRANSPORTATION OFFICIALS.

THIS PROPOSAL WOULD CREATE A NEW URBAN AND RURAL PROGRAM WITH MINIMAL FEDERAL REQUIREMENTS, ALLOWING STATE AND LOCAL GOVERNMENTS TO TARGET FUNDS TO ADDRESS METROPOLITAN AND RURAL TRANSPORTATION ISSUES MORE EFFECTIVELY. IT CONSOLIDATES SEVERAL CURRENT CATEGORIES OF ASSISTANCE. UNDER THIS PROGRAM, FUNDS COULD BE USED FOR HIGHWAYS OR MASS TRANSIT IN URBAN AND RURAL AREAS. IT ALSO ALLOWS A SIGNIFICANT SHARE OF HIGHWAY FUNDS TO BE SPENT FOR MANY TRANSIT ENHANCING PURPOSES.

THIS COMPLETES MY PREPARED TESTIMONY. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS THAT THE COMMITTEE MIGHT HAVE.