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**January 24 Senate Committee on Commerce, Science and Transportation Hearing
on Corporate Average Fuel Economy (CAFE) Standards**

The Senate Committee on Commerce, Science and Transportation held its third hearing on the Corporate Average Fuel Economy (CAFE) Standards on January 24, 2002. This hearing focused on the national security, feasibility and economic aspects of potentially raising those standards. Supporters of raising the standards cited the National Academy of Sciences' (NAS) recent report on the subject to bolster their case.

The hearing was generally cordial and the committee appeared to be on a fact-finding mission. The testimony and Q&A remained largely focused on national security, personal safety, industry capabilities, technology feasibility and regulation structuring. The general consensus was that any increase in standards would require a 10 to 15 year time-frame for implementation.

Supporters of increasing the fuel efficiency standards cited the industry's poor historical record of self-regulation in this area and the need for energy diversity. **Senator John Kerry** (D-Massachusetts) noted that a lack of effort by the automobile industry to self-regulate or to adopt effective measures has forced the government to consider regulating new standards. He contended that the industry has placed a low priority on fuel economy, citing statistics that indicate that the industry has devoted only 8% of its research since 1988 to the topic. **Senator Byron Dorgan** (D-North Dakota) concurred, and argued that technology must be used to "wean" Americans from the combustion engine. He said the United States must break this "75 to 80 year bad habit." **Senator John McCain** (R-Arizona) agreed that energy diversity was vital to national security and spoke about hydrogen power fuel cells. Senator McCain sounded a cautionary note, however. Noting statistics which suggested that new CAFE standards would result in fatalities, Senator McCain argued that we must achieve better fuel economy without compromising safety.

An opponent of the increased standards, **Senator George Allen** (R-Virginia), focused on ideology, open markets and the role of government in regulation. Senator Allen argued that increased CAFE standards would potentially result in auto manufacturing job losses in states including Virginia. He advocated industry "rewards" rather than "punitive" policy structures.

The first witness panel addressed a variety of issues, beginning with national security. **The Honorable Stuart Eizenstat** with Covington and Burling contended that dependence on foreign oil leaves America reliant on unstable or hostile states, influences the economy, requires a maintained military presence in the Middle East, and leaves America vulnerable to attack at home and abroad. He argued that increased CAFE standards would reduce American dependence on foreign oil by approximately 3.9 million barrels of oil a day, and would also help

with the trade deficit and environmental issues. Eizenstat added that any additional costs to consumers would be offset by lower fuel costs.

Safety and economic issues were also on the agenda. **Joan Claybrook** of Public Citizen agreed with Senator Kerry's argument that government regulation was necessary because the auto industry had little incentive to act on its own. Claybrook argued that there was no reason to believe new proposed CAFE standards would require massive overall weight reductions. **Adrian Lund** of the Insurance Institute for Highway Safety sought a reasonable combination of safety and fuel economy that does not focus on weight reductions. Finally, **Andrew Hoerner** of the Center for a Sustainable Economy discussed the employment consequences of higher CAFE standards and stated that there would be a marginal net increase in jobs under the proposed legislation.

The second witness panel focused primarily on technology and feasibility issues. **Allen Schaeffer** of the Diesel Technology Forum submitted several studies regarding diesel performance advantages and the untapped potential it provides. His main focus was on light-duty vehicles and SUVs, which remain a new growth area for diesel technology. **Professor Marc Ross** from the University of Michigan argued that technology (including smaller engines, sophisticated controls and weight reductions in the heaviest vehicles) could improve overall efficiency by 50% or more. Ross stressed that manufacturers will not improve fuel economy on their own, especially when the government and consumers are not driving them to do so. **John German** from American Honda Motor Corporation argued that hybrid technology is the most important technology available to solve many of these problems and argued for an incentive structure for manufacturers and consumers. He suggested that Honda was more open to an increase in CAFE standards than many of Honda's competitors, backing the NAS study (although not all of its conclusions) and disputing arguments that fuel economy increases would make cars less safe.

Gregory Dana from the Alliance of Automobile Manufacturers (AAM) argued that the National Highway Traffic Safety Administration (NHTSA) should set the standards along with public and private research, which would then be pulled into the marketplace. Senator Kerry questioned Dana closely, noting that AAM now supported NHTSA involvement in setting standard, which they did not in the 1970s, and criticized Dana's reluctance to reveal what standards they would support.