

STATEMENT OF THE HONORABLE NICOLE R. NASON  
ADMINISTRATOR  
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION  
*REGARDING*  
A REVIEW OF THE ADMINISTRATION'S PROPOSALS  
FOR THE TRANSPORTATION SECTOR

SUBCOMMITTEE ON ENERGY AND AIR QUALITY  
COMMITTEE ON ENERGY AND COMMERCE  
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman, thank you for inviting me to discuss Corporate Average Fuel Economy standards (CAFE) for passenger cars.

Last month, the President announced in the State of the Union address his "20 in 10" proposal that would reduce domestic gasoline consumption by twenty percent in 2017. A key component of the President's "20 in 10" plan is to significantly boost fuel economy standards for cars. Towards that end, earlier this month, at your request and that of Chairman Dingell, the Administration forwarded draft legislation that would give the Secretary of Transportation the statutory authority to reform and raise fuel economy standards for passenger cars.

The Bush Administration already has a history of reforming and raising fuel economy for light trucks. Consider our record: this Administration has raised the CAFE standard for light trucks for seven consecutive years, from 2005 to 2011. Our recent light truck rule not only will save a record amount of fuel, it also regulates for the first time fuel economy for some of the heaviest light trucks, such as the Hummer H2. This rule also boosted the CAFE target for some light trucks to a level that exceeds the congressionally-mandated passenger car standard of 27.5 miles per gallon.

While these are notable accomplishments, the method by which they were achieved is probably the most important. In its landmark 2002 study on CAFE by the National Academy of Sciences, the NAS found that while the CAFE program did fulfill its original goals, it contained flaws that were preventing the program from living up to its potential.

For example, one of the NAS criticisms was that the program concentrated most of the regulatory requirements on a few full line manufacturers. This resulted in some manufacturers who produced primarily smaller vehicles not being required to make any further improvements in fuel efficiency.

Additionally, the study found that having a “one-size-fits-all” standard allowed some automakers to produce fleets that met the standard even though many of the cars in the fleets were relatively fuel inefficient. This meant that we were, and still are, losing fuel savings from a significant part of the fleet.

Finally, and most disturbingly, the study estimated that CAFE probably had cost between 1,300 and 2,600 lives in one year alone, 1993, because the standards were structured in a way that enabled automakers to meet much of their compliance obligations by downsizing cars.

NHTSA carefully considered the NAS study, and methodically developed a new structure for light truck CAFE standards that addressed each of these criticisms.

This new system, called “Reformed CAFE,” is based on requiring automakers to achieve improved fuel economy not by downsizing, but by adding fuel-saving technologies. Basing CAFE standards on adding fuel-saving technology instead of downsizing vehicles has a number of benefits. First, by setting fuel economy targets for every size of vehicle, this ensures that vehicles small, medium and large have to improve fuel economy.

Second, under Reformed CAFE there is no longer an incentive for automakers to improve their fleet average by downsizing. Accordingly, no longer will raising the CAFE standard mean a decrease in safety.

Third, since Reformed CAFE demands greater fuel efficiency from every model of vehicle affected, every automaker will share the regulatory burden for improving fuel economy, not just a few.

Finally, the Administration’s draft bill contains a CAFE credit trading provision. The NAS study pointed out how the current CAFE system makes it more expensive than necessary to achieve a given level of fuel economy in the vehicle fleet. Because one company may find it less expensive than another company to increase the fuel economy of its fleet, there are further cost-savings to be gained from allowing credit trading across companies.

CAFE already allows a manufacturer to accumulate credits if its fleet mix exceeds the standard. These credits may be carried forward or “banked” and used to offset future CAFE deficits by the same manufacturer. Credit trading is a natural extension of this framework.

Credit trading would be purely voluntary, and we believe it will help lower the industry’s cost of complying with CAFE.

In 1975 when Congress wrote the original CAFE standard, it did so by taking the average fuel economy number for the fleet and doubling it over a ten-year period. Today, NHTSA can perform a much more sophisticated analysis on how to determine the CAFE standard. We can do this because we have the benefit of individualized data on the fuel-saving capabilities of each car.

Accordingly, there is no need to set an arbitrary fuel economy standard, there is no need to sacrifice safety for better fuel economy, and there is no reason why some auto companies have to shoulder nearly all the regulatory burden. Our light truck rule demonstrated that all of these problems can be overcome.

Mr. Chairman, the President indicated in his State of the Union address his desire to raise the fuel economy standard. We believe that having experts develop the standard, using sound science and hard data, in an open and reviewable rulemaking process, is the most responsible way to determine a new CAFE standard.

If Congress authorizes the Secretary to reform CAFE for passenger cars, we will immediately begin a rulemaking to boost passenger car fuel economy. If the Administration's draft legislation is enacted soon, cars rolling off the assembly line for the 2010 model year will have to meet a higher CAFE standard.

Mr. Chairman, given NHTSA's successful experience with setting the fuel economy standard for light trucks, which comprise half the vehicle sold today, we believe we have demonstrated our capability to set balanced standards for passenger vehicles, given the authority for reform.

I would be pleased to answer any questions.