Statement of the Honorable David L. Strickland
Administrator, National Highway Traffic Safety Administration

House Committee on Oversight and Government Reform
Subcommittee on Regulatory Affairs,
Stimulus Oversight and Government Spending

October 12, 2011

Good morning Mr. Chairman, Ranking Member Kucinich and Members of the subcommittee. I appreciate this opportunity to testify before you today on the Department of Transportation's efforts to improve Corporate Average Fuel Economy (CAFE) standards.

Before I begin my comments on improving fuel economy, let me assure you that safety is at the core of everything we do. It is central to Secretary LaHood and the National Highway Traffic Safety Administration (NHTSA). Safety is always at the forefront of all of the agency's programs and activities, and we have designed our upcoming CAFE proposal so that manufacturers can comply in a way that will certainly be safety-neutral—we absolutely will not require any manufacturer to do anything that would have a negative effect on safety.

Statutory Authority

As you know, the *Energy Policy Conservation Act* (EPCA) and the *Energy Independence and Security Act* (EISA) provide NHTSA with the authority to set fuel economy standards for cars and light trucks. Improving vehicle fuel economy is one of the key ways to reduce our reliance on oil. Furthermore, reducing total petroleum use decreases our economy's vulnerability to oil price shocks and enhances our energy security. The need to reduce energy consumption is more crucial today than it was when EPCA was enacted in the mid-1970s. The share of U.S. oil consumption for transportation is approximately 71 percent. U.S. gasoline consumption is often viewed as a non-discretionary expense. After all, if you need to drive to get to work, you don't have much of a choice when gasoline prices go up. As a result, when gasoline gets more expensive, it takes up a greater proportion of the consumer's income. Because much of the extra expenditures on gasoline accrue to producers of imported oil, increases in gasoline prices also tend to reduce domestic income for the economy as a whole.

Model Year 2011, 2012-2016 CAFE Standards

We made significant progress when, under the Obama Administration, NHTSA significantly raised fuel economy standards for Model Year (MY) 2011 to a combined 27.3 miles per gallon (mpg). We built on this by enhancing fuel economy standards for MY 2012-2016, raising standards to the equivalent of 34.1 mpg. The MY 2012-2016 rules were part of a coordinated program with the Environmental Protection Agency (EPA) that will achieve substantial improvements in fuel economy and reductions of greenhouse gas emissions. These improvements are based on technology that will be commercially available and that can be

incorporated at a reasonable cost. The MY 2012-2016 rulemaking also provides regulatory certainty and consistency for the automobile industry by setting a National Program with EPA and that California recognizes as the Federal standard.

With the MY 2012-2016 program, NHTSA provides vehicle manufacturers with significant flexibilities making it easier and less costly for them to comply with the standards. Manufacturers may earn credits by over-complying with a standard in a given model year, and may then either apply those credits to achieve compliance in any of the three model years before or five model years after the year in which they were earned. They can also transfer the credits from the manufacturer's car fleet to the truck fleet or vice versa; or trade (i.e., sell) them to another manufacturer. Additionally, manufacturers can continue to earn credits for producing alternative or flex-fueled vehicles.

In terms of benefits, NHTSA projects that over the lifetimes of the passenger cars and light trucks sold in MY 2012-2016, the CAFE standards will save 61.0 billion gallons of fuel. NHTSA estimates that the lifetime benefits of the CAFE standards will total over $182 billion, including fuel savings, while the net costs of the standards will total approximately $52 billion.

MY 2017-2025 CAFE Standards

Building on the MY 2012-2016 effort, President Obama tasked NHTSA and EPA with developing fuel economy standards for MY 2017-2025, which we will be proposing soon. Like the MY 2012-2016 standards, the MY 2017-2025 National Program is designed to provide regulatory certainty and consistency across the country for the automobile industry. The first milestone in this effort was issuing the Notice of Intent (NOI) in September of last year. This announcement also included the Joint Interim Technical Assessment Report (TAR). The TAR presented an initial assessment by NHTSA and EPA of the potential cost, effectiveness of, and lead-time requirements for over 30 technologies that could be available to be applied toward new standards through MY 2025. We determined in the TAR that a variety of automotive technologies are available, or are expected to be available, to support an increase in fuel economy and reduction in greenhouse gas emissions in the MY 2017-2025 timeframe. The initial assessment in the TAR produced projected vehicle cost estimates of approximately $800 to $3,500 and lifetime savings due to reduced fuel costs of about $5,000 to over $7,000, depending on the phase-in stringency scenario and the technology pathway.

The NOI and the TAR described the agencies' initial assessment of potential standards for increased fuel efficiency and identified additional work the agencies would undertake over the next few months to refine that assessment. The NOI invited the public to submit comments on "all aspects of [the] Notice and the accompanying Interim Technical Assessment Report." The agencies received comments from more than 30 organizations and more than 100,000 individuals. Following the opportunity for public comment on the TAR and NOI, the agencies developed and published a Supplemental NOI (SNOI) in December 2010 highlighting many of the key comments received in response to the NOI and the TAR. The Supplemental NOI also discussed plans for many of the key technical analyses that have been and will be undertaken in developing the upcoming proposed rulemaking.

Since the publication of the SNOI in December 2010, NHTSA and EPA, working with the California Air Resources Board (CARB), have engaged in discussions with major stakeholders, including auto manufacturers, automotive suppliers, environmental groups, and the United Auto Workers to inform a second supplemental Notice of Intent. These meetings provided the agency with critical information to develop a framework for a proposal.

For example, these stakeholder meetings enabled NHTSA and EPA to understand how automakers can use advanced technologies to transform the vehicle fleet. To facilitate this transformation, the agencies are considering a number of incentive programs to encourage early adoption and introduction into the marketplace of advanced technologies that represent "game changing" performance improvement, including electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, and hybrid electric large pickups.

NHTSA shares your high regard for transparency and public participation in the rulemaking process, and we value input from a diverse group of stakeholders throughout the rulemaking process. We are also mindful of the legal requirements that govern the rulemaking process and are strictly adhering to those requirements in this rulemaking, as we do with respect to all of our rulemakings. When the Notice of Proposed Rulemaking is announced in the coming weeks, the public will certainly have an opportunity to comment on every aspect of the agencies' analysis and the proposal. CAFE proposals draw a lot of comments – we expect to see comments from consumers, small businesses, manufacturers, suppliers, and many, many others. NHTSA and EPA will carefully consider these comments before making any final decisions.

Attribute-Based Standards to Improve Safety

The CAFE program has historically been criticized because it gave some manufacturers an incentive to reduce vehicle weight or make other changes to their vehicle line up only intended to classify an increasing share of vehicles as light trucks. Some of these outcomes likely compromised vehicle safety. In response, NHTSA phased in some changes to the CAFE program beginning with light trucks in the 2008 model year that address these safety concerns and allow manufacturers maximum flexibility to meet the fuel economy standards in the years to come. Past safety tradeoffs occurred because manufacturers chose, at the time, to build smaller and lighter vehicles to help them meet the CAFE standards back then. These smaller and lighter vehicles did not fare as well in crashes with larger and heavier vehicles.

Staying true to our safety first mission, NHTSA moved from a flat fuel economy standard that subjects each manufacturer to a single standard, regardless of differences in their product mix, to an attribute-based standard. Under the reformed system, both cars and light trucks have fuel economy targets customized to their specific vehicle footprint, which is roughly the area between the points at which the tires touch the ground.

Under the reformed system, vehicles with smaller footprints have more stringent fuel economy targets, while vehicles with larger footprints have less stringent targets. Because a manufacturer's overall compliance obligation is determined by averaging the targets of all of the

vehicles that they produce for sale in the United States, the reformed program encourages the manufacturers to meet higher fuel economy standards by adopting fuel-saving technologies across its entire line up rather than trying to "average out" sales of larger vehicles by producing more smaller vehicles.

Most importantly, the reformed CAFE program is better positioned to protect vehicle safety as the fuel economy standards rise. Our statistical research has found that fatality risk in crashes increases with reductions in vehicle footprint, so the reformed program mitigates that risk by reducing the incentive to make vehicles' footprints smaller.

In our analysis, then, we try to make sure that the proposed standards are safety-neutral in two ways. First, we set footprint-based standards that do not encourage manufacturers to build smaller vehicles just to even out larger ones. And second, when we are determining what mpg levels we think are maximum feasible, although manufacturers can choose whatever technologies they want to meet the standards, we demonstrate in our analysis that there is a feasible technology path that the industry could pursue to meet the standards that does not require unsafe levels of mass reduction. NHTSA will be continuing this safety-neutral approach in the upcoming CAFE proposal. I am confident that manufacturers will continue to build safe vehicles, and avoid any safety tradeoffs in order to achieve improved fuel economy.

In February of this year, NHTSA also held a workshop that brought together experts to discuss some of the overarching questions on vehicle mass-size-safety. Experts from government, academia, and industry discussed how the agency can evaluate the effect of vehicle mass and size on safety, and how consideration of vehicle structural crashworthiness, occupant safety, and advanced vehicle design can help inform NHTSA's understanding of what levels of mass reduction might be appropriate to consider for CAFE rulemaking. Manufacturers may need to make the lighter vehicle stiffer to protect against intrusion. But making a vehicle stiffer affects both the forces on the vehicle's occupants in a crash and the forces that the stiffer vehicle exerts on the vehicles it crashes into. A number of research projects currently are ongoing at NHTSA and other agencies and in the private sector to help to resolve these issues. NHTSA is considering the presentations of the workshop in developing the upcoming CAFE proposal.

As indicated earlier, NHTSA takes the issue of safety very seriously. I committed to ensuring that the agency takes into account the safety implications of all agency decisions and actions. The MY 2017-2025 fuel economy proposal will be no different.

Thank you again for your time and I look forward to your questions.

Biography — David L. Strickland
Administrator, National Highway Traffic Safety Administration

David L. Strickland was sworn in January 4, 2010. Prior to his appointment, he served for eight years on the staff of the U.S. Senate Committee on Commerce, Science, and Transportation. As the Senior Counsel for the Consumer Protection Subcommittee, he was the lead staff person for the oversight of NHTSA, the Federal Trade Commission, and the Consumer Product Safety Commission. He also served as the lead Senate staff person in the formulation of the Corporate Average Fuel Economy (CAFE) reforms and standards included in the Energy Independence and Security Act of 2007. He held a staff leadership role in the 2005 reauthorization of NHTSA in the Safe, Accountable, Flexible, Efficient Transportation Equity Act -- a Legacy for Users (SAFETEA-LU).

His work in advising Commerce Committee members led to the inclusion of several significant vehicle safety mandates, including the electronic stability control mandate for every passenger vehicle. Mr. Strickland advised Congressional members on safety reforms and funding increases for NHTSA's seat-belt and drunk-driving grant programs and earned national recognition from Mothers Against Drunk Driving, who named him Congressional Staffer of the Year in 2004 for his role in making the driving public safer.

Mr. Strickland's hometown is Atlanta, Georgia. He earned his J.D. degree from Harvard Law School, and his B.S. degree in communication studies and political science at Northwestern University.

He and his wife Robin live in Alexandria, Virginia.