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UPDATE ON THE CORPORATE AVERAGE FUEL ECONOMY

PROGRAM (CAFE) AND GREENHOUSE GAS EMISSIONS

STANDARDS FOR MOTOR VEHICLES

TUESDAY, DECEMBER 12, 2017

House of Representatives

Subcommittee on Environment

joint with the

Subcommittee on Digital Commerce and Consumer

Protection

Committee on Energy and Commerce

Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2123 Rayburn House Office Building, Hon. Robert Latta [chairman of the Subcommittee on Digital Commerce and Consumer Protection] presiding.

Present from the Subcommittee on Digital Commerce and Consumer Protection: Representatives Latta, Kinzinger, Harper,

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26 Upton, Lance, McKinley, Bilirakis, Bucshon, Mullin, Walters,
27 Costello, Walden (ex officio), Schakowsky, Clarke, Cardenas,
28 Dingell, Matsui, Welch, Green, and Pallone (ex officio).

29 Present from the Subcommittee on Environment:
30 Representatives Shimkus, McKinley, Barton, Blackburn, Harper,
31 Olson, Johnson, Flores, Hudson, Cramer, Walberg, Carter, Walden
32 (ex officio), Tonko, Ruiz, Peters, Green, McNerney, Cardenas,
33 Dingell, Matsui, and Pallone (ex officio).

34 Staff present: Ray Baum, Staff Director; Samantha Bopp,
35 Staff Assistant; Allie Bury, Legislative Clerk,
36 Energy/Environment; Kelly Collins, Staff Assistant; Wyatt
37 Ellertson, Research Associate, Energy/Environment; Melissa
38 Froelich, Chief Counsel, Digital Commerce and Consumer
39 Protection; Adam Fromm, Director of Outreach and Coalitions;
40 Jordan Haverly, Policy Coordinator, Environment; Paul Jackson,
41 Professional Staff, Digital Commerce and Consumer Protection;
42 A.T. Johnston, Senior Policy Advisor, Energy; Bijan Koohmaraie,
43 Counsel, Digital Commerce and Consumer Protection; Ben Lieberman,
44 Senior Counsel, Energy; Mary Martin, Deputy Chief Counsel, Energy
45 & Environment; Katie McKeogh, Press Assistant; Mark Ratner,
46 Policy Coordinator; Madeline Vey, Policy Coordinator, Digital
47 Commerce and Consumer Protection; Everett Winnick, Director of
48 Information Technology; Andy Zach, Senior Professional Staff
49 Member, Environment; Greg Zerzan, Counsel, Digital Commerce and
50 Consumer Protection; Michelle Ash, Minority Chief Counsel,

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51 Digital Commerce and Consumer Protection; Jeff Carroll, Minority
52 Staff Director; Jean Fruci, Minority Energy and Environment
53 Policy Advisor; Lisa Goldman, Minority Counsel; Caitlin Haberman,
54 Minority Professional Staff Member; Rick Kessler, Minority Senior
55 Advisor and Staff Director, Energy and Environment; Caroline
56 Paris-Behr, Minority Policy Analyst; Alexander Ratner, Minority
57 Policy Analyst; and C.J. Young, Minority Press Secretary.

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58 Mr. Latta. Well, good morning. The joint subcommittee
59 will now come to order. The chair now recognizes himself for five
60 minutes for an opening statement.

61 Good morning. I would like to thank our witnesses for being
62 with us this morning. Today we are here to discuss with
63 stakeholders the Corporate Average Fuel
64 Economy Program, or CAFE, at the National Highway Transportation
65 Safety Administration, NHTSA, and the greenhouse gas emissions
66 standards at the U.S. EPA agency that govern fuel economy
67 standards.

68 NHTSA's CAFE program was established by Congress in 1975.
69 The goals of the program are to improve vehicle fuel economy,
70 reduce oil consumption, and secure
71 the nation's energy independence.

72 The CAFE program has undergone major changes and
73 modifications in the past four decades, both because of political
74 and economic forces.

75 Less than 10 years ago, and on top of the CAFE program, the
76 EPA standards were created to incentivize the production of more
77 efficient vehicles that will use less fuel and emit less carbon
78 dioxide.

79 In addition, various states have enacted their own standards
80 with respect to automobile emissions. The combinations of these
81 requirements has created an incredibly complicated regulatory
82 scheme.

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83 Improving fuel efficiency and achieving energy independence
84 are important goals. That said, real-world facts and data must
85 drive regulatory decisions that impact such an important and
86 far-reaching part of the American
87 economy and consumers' daily lives.

88 The previous administration announced an attempt to create
89 a national standard which included a plan for NHTSA and EPA to
90 work together to avoid conflicting regulations.

91 Whatever progress had been made on that front was undone,
92 however, when earlier this year EPA issued its final determination
93 that the standards for Model Year 2022 and 2025 are appropriate.

94 EPA took this action without coordinating with NHTSA,
95 clearly undermining their earlier pledge. The result is that
96 automobile makers potentially found themselves in a position
97 where they are in compliance with one federal program but out of
98 compliance and subject to penalty with another.

99 This type of fragmented regulation harms our economy, our
100 workers, and our consumers. The automobile industry is a huge
101 source of American jobs including nearly 100,000 Ohioans.

102 A hallmark of the American automobile industry has been the
103 ability to innovate and build cars that American drivers want to
104 buy. But outdated, conflicting, or impossible-to-meet
105 government regulations get in the way of this type of innovation.

106 It is a rare event, to say the least, for policymakers
107 in Washington to have better ideas about how to meet consumer

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108 demand than consumers themselves.

109 All too often, Washington stands in the way, particularly
110 when it creates unnecessary confusion with conflicting rules.

111 My constituents know what type of vehicles work best for
112 their family and their budget. That may change over time and each
113 American family should be able to make their own choice without
114 the federal government putting an extra strain on their finances.

115 Also, there is a real risk that the costs associated with
116 duplicative federal and state fuel economy standards could force
117 families to choose older cars without the benefits of new safety
118 technologies.

119 NHTSA's safety mission and statutory obligations must remain
120 its guiding principle. When we are just starting to turn the
121 corner after many challenging years, it is
122 disheartening, but not surprising, to see the EPA rush out a final
123 determination in the waning hours of the last administration.

124 I am interested in hearing from our witnesses about
125 industry's experience attempting to navigate this tricky
126 regulatory terrain and what can be done to help support choice
127 for American consumers and jobs across the country.

128 Again, I want to thank our witnesses for being here and I
129 yield at this time to the gentlelady from Tennessee.

130 Mrs. Blackburn. Thank you, Mr. Chairman, and I appreciate
131 so much that you and Chairman Shimkus have called this hearing.

132 Studies have shown that the higher purchase price of cars

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133 under a stricter CAFE under these 2025 standards would eliminate
134 a lot of consumers from buying new cars.

135 There is between 3.1 and 14.9 million American consumers that
136 would fall out of the new car marketplace. Now, this is where
137 there is a tension and a friction that we need to talk about --
138 when is something counterproductive.

139 And, of course, in Tennessee we have a lot of auto
140 manufacturers. This is what they tell me. Whether they are with
141 Nissan or Toyota or Volkswagen or GM, it does not matter. They
142 want realistic standards.

143 They want something that will -- they will be able to meet
144 the expectation of American consumers and deliver a product that
145 is, first of all, safe and that consumers are going to be safe
146 in these automobiles.

147 So I thank the chairman for the hearing. I think this is
148 time for us to talk about what is realistic, what is achievable,
149 and what will deliver a safe product for the American consumer,
150 and I yield back.

151 Mr. Latta. Thank you very much. The gentlelady yields
152 back.

153 The chair now recognizes the subcommittee ranking member,
154 the gentlelady from Illinois, for five minutes for an opening
155 statement.

156 Ms. Schakowsky. Thank you, Mr. Chairman.

157 CAFE and greenhouse gas emission standards have been

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158 critical tools to improve fuel economy and reduce carbon
159 pollution.

160 The CAFE program was born out of the energy crisis in the
161 1970s. Now those standards are helping us address the even
162 greater threat of a changing climate.

163 Strong standards have a more immediate consequence for
164 American consumers: big savings at the pump. In the mid-term
165 evaluation finalized in January, the Environmental Protection
166 Agency estimated that the model year 2022 to 2025 greenhouse gas
167 emission standards will save consumers \$92 billion over the
168 lifetime of their vehicle. Obviously, not each one -- together,
169 \$92 billion. Industry has criticized the standards for 2022 to
170 2025 as too costly. That criticism is not supported by the facts.

171 The EPA found that meeting the standards is not only
172 technologically feasible but also cheaper than expected. In
173 fact, the cost estimate per vehicle has gone down over \$200 since
174 2012.

175 Ambitious standards have driven innovation which has, in
176 turn, lowered costs. The last time we held this hearing in
177 September of 2016, John German of the International Council on
178 Clean Transportation testified, quote, "During the course of my
179 40-year career, initial cost estimates for complying with
180 emissions and efficiency requirements have consistently been
181 overstated, not some of the time or even most of the time, but
182 all of the time.

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183 Nevertheless, the standards face resistance. I often hear
184 companies call for greater regulatory certainty and more time to
185 comply with the rules. But this time, the EPA actually finished
186 its work ahead of schedule."

187 So what did the automakers do? Petition for a redo, and the
188 Trump administration was all too happy to comply. No matter how
189 EPA Administrator Scott Pruitt or others want to explain the
190 decision to reopen the mid-term evaluation, the end result is
191 clear -- dirtier less efficient vehicles.

192 Calls for harmonization between CAFE and greenhouse gas
193 standards are just further efforts to weaken the standards.

194 I am especially confused why the auto industry would be so
195 opposed to strong standards when the automakers are promising
196 fleets of energy-efficient autonomous vehicles.

197 If AVs are actually going to be electric vehicles, I would
198 think compliance should be easy. As we discuss the future of
199 these standards, family budgets and public health hangs in the
200 balance. This is not the time to ignore facts under the industry
201 pressure.

202 We need to continue the progress toward greater fuel
203 efficiency and lower greenhouse gas emissions.

204 And I now yield to Congresswoman Matsui.

205 Ms. Matsui. Thank you very much, Ranking Member Schakowsky.

206 NHTSA's CAFE standards and the EPA's greenhouse gas emission
207 standards for light-duty vehicles are win-win. They are good for

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208 consumers who save billions of dollars at the pump over the
209 lifetime of their vehicles.

210 They are good for the environment. The standards
211 significantly reduce emissions for the transportation sector, the
212 only sector in which energy efficiency has grown worse over the
213 past 15 years in this country.

214 And they are good for the American workers. They spark the
215 development of innovative technologies that create profits and
216 support jobs.

217 Many companies understand this and support the NHTSA and EPA
218 standards. Even those companies critical of the standards are
219 shifting to efficient engines and electric vehicles in response
220 to consumer demand for cleaner cars.

221 In light of the widespread support for improving fuel
222 economy, I am disappointed with the Trump administration's
223 decision to revisit the standards for model years 2022 to 2025.

224 It is clear the administration is simply intent on weakening
225 the progress we have made so far. That is why I will be
226 introducing a bill to codify the NHTSA and EPA standards. These
227 standards are written in 2012 with the support of the auto
228 industry, environmental groups, and states.

229 My legislation maintains the federal government and auto
230 manufacturers' promise to American people -- a promise for cleaner
231 and efficient cars that cost less at the pump and that are better
232 for the environment, health, and the future of our children and

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233 grandchildren.

234 I look forward to continuing to engage with the committee
235 on this issue. Thank you, and I yield back.

236 Mr. Latta. Thank you. The gentlelady yields back, and the
237 chair now recognizes the chairman of the Environment
238 Subcommittee, the gentleman from Illinois for five minutes for
239 an opening statement.

240 Mr. Shimkus. Mr. Chairman, before I do my opening
241 statement, I get 15 seconds for a point of personal privilege.

242 Thank you. Two pictures I want to identify for folks -- you
243 will all appreciate this. This is -- this is a tweet I got from
244 my colleague from Texas, who is not paying attention, talking
245 about the next streak, and then the next photo will -- if you put
246 that up -- that's actually what -- Mr. Olson, are you paying
247 attention?

248 Mr. Olson. Yes.

249 Mr. Shimkus. So I thank you for correcting the record and
250 starting a new streak.

251 Mr. Olson. For the second time in 16 years.

252 Mr. Shimkus. I would just -- we saw your tweet earlier so
253 -- I know my colleagues because of Mr. Olson and how he acts, and
254 we appreciate that. So thank you very much.

255 Mr. Latta. The gentleman is recognized.

256 Mr. Shimkus. One of the costs of this energy and
257 environmental regulation from the Obama administration is the one

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258 we will address today that targets fuel efficiency and greenhouse
259 gas emissions for cars and light trucks.

260 EPA estimated total cost in excess of \$200 billion by 2025,
261 much of which will show up in the form of higher sticker prices
262 for new vehicles.

263 And although the agency claims offsetting consumer savings
264 from lower fuel costs, we now know that this was based upon
265 inaccurate projections of rising gas prices as well as other
266 assumptions that are proving to be off the mark.

267 It is time to review these rules to see if they are a good
268 deal for consumers or whether they can be improved upon.
269 Fortunately, regulations contain just such a review, the
270 so-called mid-term evaluation.

271 The regulations were finalized in 2012 and included
272 progressively stricter standards all the way out to 2025, more
273 than a decade into the future.

274 For this reason, it was decided to revisit the standards
275 midway through the process to see if standards for model years
276 2022 to 2025 need to be adjusted in light of changed circumstances.

277 In 2016, EPA commenced its mid-term evaluation and was poised
278 to make a final determination by April 2018. But after the
279 elections, EPA accelerated its time line and rushed the final
280 determination out the door last January.

281 This determination concluded that standards are fine as they
282 are and don't need to be changed. The good news is that

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Administrator Pruitt found this process to be completely unacceptable and has reopened the midterm evaluation with the original deadline of April 2018, after which the agency may proceed to a rulemaking to change the targets for 2022 through 2025.

Part of this hearing is to get input from those who make cars and trucks as well as those who sell them about their contributions to the midterm evaluation and what they would like to see come out of the process.

The stakes are high for automakers and auto dealers. But they are higher still for consumers. The average price of a new vehicle has risen to \$35,000 in 2017. These regulations are a contributor to the increase.

EPA estimated cumulative price increases of nearly \$3,000 per vehicle by 2025 and the real number may prove to be higher.

Worst of all, the biggest sticker shock may be on the vehicles that matter most to middle America. Granted, a Toyota Prius or a smart car may be fine for some people, but many of my constituents need family-size vehicles or pickup trucks for work, and it is these larger vehicles that may take the biggest hit.

We need to make sure that the future targets under this program maintain vehicle choice and affordability.

In addition to the midterm evaluation, we also need to evaluate whether we have a uniform set of rules for the nation.

Recall that since the 1970s the National Highway Traffic

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308 Safety Administration, or NHTSA, had exclusive authority to set
309 vehicle fuel economy standards.

310 But the Obama administration decided that the EPA and the
311 California Air Resources Board should do so as well. So now we
312 have three agencies all regulating the same thing and, not
313 surprisingly, there are discrepancies emerging.

314 Looking ahead, we need to ask whether we still want three
315 agencies involved in the fuel economy and why we gave California
316 so much more power than any other state in the Union.

317 It all comes down to what is best for the consumer. Vehicle
318 purchases are second only to home purchases in terms of their
319 consumer impact and I hope this hearing helps us strengthen our
320 understanding of what we need to do to make these regulations as
321 consumer friendly as possible.

322 Thank you, Mr. Chairman, and I yield back the balance of my
323 time.

324 [The prepared statement of Mr. Shimkus follows:]

325

326 *****INSERT 1*****

327 Mr. Latta. Thank you. The gentleman yields back the
328 balance of his time.

329 The chair now recognizes the Environment Subcommittee
330 ranking member, the gentleman from New York, for five minutes for
331 an opening statement.

332 Mr. Tonko. Thank you, and thank you to our witnesses.
333 Thank you, Chair Latta, Chair Shimkus for holding today's hearing.

334 NHTSA's corporate average fuel economy, or CAFE, standards
335 and EPA's greenhouse gas emissions standards have played a
336 critical role in saving consumers money at the pump while reducing
337 carbon pollution.

338 CAFE standards were established in 1975 by the Energy Policy
339 and Conservation Act to reduce our nation's reliance on foreign
340 oil, and since 2009, EPA's greenhouse gas emissions standards have
341 become increasingly important in our nation's efforts to address
342 climate change.

343 Last year, transportation surpassed the electricity sector
344 as the largest source of greenhouse gas emissions in our country.
345 According to the EPA's inventory of U.S. greenhouse gas emissions
346 and light-duty vehicles accounted for nearly 60 percent of the
347 United States transportation emissions and approximately 16.5
348 percent of total domestic emissions in 2015.

349 No serious effort to reduce emissions can ignore emissions
350 from light-duty vehicles. The current standards are estimated
351 to lead to the reduction of carbon emissions by 6 billion metric

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tons for vehicles within model years 2012 through 2025.

In addition to the pollution reduction, CAFE standards are estimated to save consumers some \$1.7 trillion at the pump from vehicles produced between 2011 and 2025.

Improving vehicle efficiency has truly been a win-win outcome. We have come a long way since the 1930s. Over the past four decades, the federal fuel economy program has evolved considerably to give automakers significantly greater flexibility.

Today, manufacturers are not forced into a single compliance path. Each manufacturer has its own fleet wide standard that reflects the vehicles it produces to meet its customers' demands.

But in the 15 months since our last hearing on this subject, we have seen major changes at EPA. As part of the 2012 agreement between President Obama and the auto industry, EPA agreed to conduct a midterm evaluation to determine whether assumptions made about technology development and costs in 2012 were still accurate and still reasonable.

Last summer, EPA began its midterm review. The agency examined a wide range of factors and built an extensive public record on the appropriateness of greenhouse gas standards for model years 2022 through 2025 vehicles.

Along with the NHTSA and the California Air Resources Board, EPA issued the July 2016 draft technical assessment report and sought public comment.

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377 EPA also sought public comment on the proposed determination
378 that the greenhouse gas standards for model years 2022 through
379 2025 vehicles remain appropriate.

380 The technical assessment and ensuing comments provide a
381 robust and conclusive record. EPA standards are feasible and can
382 be met at lower costs than originally estimated.

383 EPA's current estimate is an average per vehicle cost of \$875
384 to meet these standards. This estimate is lower than the initial
385 estimate of \$1,100 per vehicle, which EPA found reasonable in its
386 2012 rule and much lower than consumers can expect to save at the
387 pump over the life of the vehicle.

388 In January, former EPA Administrator Gina McCarthy issued
389 a final determination that the targets should remain in place up
390 to 2025.

391 I believe that was the correct decision. But despite the
392 extensive record established by EPA, in March Administrator
393 Pruitt announced his decision to reopen the midterm review.
394 Weakening these standards would be bad for consumers, the
395 environment, and, certainly, American competitiveness.

396 I have tremendous faith in America's manufacturers. There
397 is no doubt they will continue to be able to meet these achievable
398 goals.

399 In fact, the evidence is clear that technology adoption rates
400 have occurred more quickly than EPA's initial expectation.

401 Last year, former EPA Acting Assistant Administrator Janet

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402 McCabe testified before this committee that there are more than
403 100 individual model year 2016 vehicle versions already meeting
404 model year 2020 standards or later.

405 As automakers continue to innovate, it is clear that multiple
406 technology pathways including existing off-the-shelf
407 technologies will allow them to achieve existing model years 2022
408 through 2025 standards, particularly given the flexibility of the
409 program.

410 So thank you again to the chairs for today's joint hearing
411 and thank you to our witnesses for being here. These are
412 incredibly important programs for the sake of our constituents'
413 wallets and our nation's efforts to reduce pollution.

414 With that, I yield back.

415 Mr. Latta. Thank you. The gentleman yields back.

416 The chair now recognizes the chairman of the full committee,
417 the gentleman from Oregon for five minutes for an opening
418 statement.

419 The Chairman. I thank the chairman.

420 Good morning, everyone. Today's hearing touches on a
421 prominent point of frustration for many Americans and that's the
422 duplicative government programs that increase costs and decrease
423 choices for consumers.

424 Specifically, we are talking about the differing fuel
425 economy standards under programs administered by the National
426 Highway Traffic Safety Administration and the Environmental

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427 Protection Agency.

428 While NHTSA has been charged with implementing fuel economy
429 standards for motor vehicles since 1978, I believe, the Obama era
430 EPA developed its own standard under the Clean Air Act in 2009.

431 So in order to coordinate these different requirements the
432 Obama administration created the national program.

433 Unfortunately, the national program has failed in its attempt to
434 develop a single national standard, which causes uncertainty
435 around the multiple policies and creates barriers to innovation
436 and growth.

437 Under the current scheme, it is possible that automakers will
438 find themselves in full compliance with one federal regulatory
439 standard but running afoul of another.

440 This is true even though the previous administration
441 explicitly told this committee during a hearing last Congress that
442 they would work together to avoid this very result.

443 Since then, we have seen activity that completely undermines
444 the national program and works against the Obama administration's
445 promise of coordinated regulatory efforts.

446 Under the midterm evaluation schedule, NHTSA and EPA were
447 to jointly issue their respective determinations on the model
448 years 2022 through 2025 standards.

449 This was supposed to happen in April of 2018. However, the
450 EPA then abandoned this commitment and rushed through its final
451 determination without coordination with the National Highway

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452 Traffic Safety Administration just seven days before President
453 Trump was sworn into office.

454 I look forward to receiving an update from our witnesses
455 today on how they are dealing with different requirements. We
456 want to know how these different regulatory schemes impact
457 consumers and learn more about better ways to ensure the federal
458 fuel economy standards are met without creating unnecessary
459 paperwork or administrative burdens that serve only to drive up
460 costs for American families.

461 As currently constructed, it's been estimated these programs
462 will raise the average price of a new vehicle by almost \$3,000.
463 That's no small amount and one that will undoubtedly price many
464 Americans out of the new car market.

465 Although the goals of these varying programs are important,
466 we must never forget that we do in Washington have a real impact
467 on consumers across the country.

468 Government works best when it identifies clear problems and
469 offers clear instructions for how to solve those problems.
470 Federal programs that overlap or conflict do nothing to help
471 protect the American people.

472 It's our job to ensure that our laws and the implementation
473 of them advance public policy goals and if they need correction
474 or clarification it's what we are here to do.

475 So I want to thank our witnesses again for participating in
476 our discussions today and the American people deserve a government

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477 that removes barriers to innovation and growth and avoids
478 unnecessarily driving up costs for consumers.

479 I look forward to your testimony, and unless any other member
480 wants the balance of my time, I will return the balance of my time.

481 I yield back.

482 Mr. Latta. The gentleman yields back the balance of his time
483 and the chair now recognizes the ranking member of the full
484 committee, the gentleman from New Jersey for five minutes.

485 Mr. Pallone. Thank you, Mr. Chairman.

486 A little over a year ago, the committee held a hearing on
487 the technical assessments report produced by the National Highway
488 Transportation and Safety Administration, the EPA, and the
489 California Air Resources Board, and that report formed the basis
490 for all three agencies' decision in January to move forward with
491 the proposed light-duty vehicle standard for models produced from
492 2022 to 2025.

493 Unfortunately, as with many other decisions and regulations
494 needed to improve public health, the environment, and consumer
495 benefits, the Trump administration is moving to weaken these
496 important standards.

497 The administration complied with a request from the auto
498 industry to reopen the midterm review and reconsider the current
499 greenhouse gas emission target for light-duty vehicles equivalent
500 to 51.4 miles per gallon by model year 2025, and this review could
501 potentially lead to a weakening of the standard.

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502 I believe that if the U.S. oil industry is to remain
503 competitive in the global market, we must reject efforts to move
504 backwards. These targets are critical to reducing greenhouse gas
505 emissions that contribute greatly to the ongoing threat of climate
506 change and we must meet these goals to reduce harmful emissions
507 that endanger public health.

508 Air pollution and carbon emissions from the transportation
509 sector are significant in many of the world's urban areas.

510 The fastest growing markets for auto are in Asia, especially
511 in India and China. These are the same countries whose large
512 cities experience chronic poor air quality that creates
513 significant public health problems.

514 Understandably, several countries, including Britain,
515 France, India, and China this year announced ambitious goals to
516 restrict or eliminate sales of new gas and diesel cars within the
517 next few decades.

518 And the auto industry claims that it can't meet stricter fuel
519 efficiency and emission reduction goals by 2025. But their
520 efforts to seek harmonization through credits and so-called
521 credit banking will only serve to undermine and erode the laudable
522 goals previously set by the Obama administration.

523 Meanwhile, the auto industry has already received a sizeable
524 advantage from Trump administration and indefinite delay of the
525 civil penalty increases for CAFE violations that were finalized
526 at the end of last year.

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527 Industry must find ways to continue their investment in
528 vehicles that are more fuel efficient, particularly those that
529 don't rely on fossil fuel for power.

530 The joint standards developed by NHTSA and EPA in conjunction
531 with the state of California are ambitious but, clearly,
532 achievable.

533 They will deliver tremendous benefits to consumers and make
534 our nation more energy secure. It will also play a critical role
535 in our effort to slow the pace and severity of climate change,
536 and lowering emissions will improve air quality and public health.

537 We know that technologies to produce more efficient and less
538 polluting vehicles are available and affordable today. Those
539 vehicles must be produced and they must be marketed with at least
540 the same level of resources used to market the large inefficient
541 sport utility vehicles currently being pushed by industry, and
542 there is simply no justification for easing up on this important
543 effort that will benefit the public health, the environment, and
544 American manufacturers who will reap the benefits of our nation
545 being out front instead of being dragged behind.

546 I don't know if anybody else wants my time. If not, I'll
547 yield back, Mr. Chairman.

548 Mr. Latta. Thank you. The gentleman yields back and the
549 -- this now concludes our member opening statements.

550 The chair would like to remind members that pursuant to
551 committee rules, all members' opening statements will be made part

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552 of the record.

553 Again, we want to thank all of our witnesses for being with
554 us today and taking time to testify before our subcommittees.
555 Today's witnesses will have the opportunity to give five-minute
556 opening statements followed by a round of questions from members.

557 Our witness panel for today's hearing will include Mr. Mitch
558 Bainwol, president and CEO, Alliance of Automobile Manufacturers;
559 Mr. Forrest McConnell III, president, McConnell Honda and Acura,
560 Montgomery, Alabama on behalf of the National Automobile Dealers
561 Association; Dr. Dave Cooke, senior vehicle analyst, Union of
562 Concerned Scientists; and Mr. John Bozzella, the president and
563 CEO of Global Automakers.

564 We thank you again for all being here and, Mr. Bainwol, you
565 are recognized for your five-minute opening statement.

566 Thanks again for being here.

"STATEMENTS OF MITCH BAINWOL, PRESIDENT AND CEO, ALLIANCE OF
AUTOMOBILE MANUFACTURERS; FORREST MCCONNELL III, PRESIDENT,
MCCONNELL HONDA & ACURA, ON BEHALF OF THE NATIONAL AUTOMOBILE
DEALERS ASSOCIATION; JOHN BOZZELLA, PRESIDENT AND CEO, GLOBAL
AUTOMAKERS; DAVE COOKE, SENIOR VEHICLES ANALYST, CLEAN VEHICLES
PROGRAM, UNION OF CONCERNED SCIENTISTS

STATEMENT OF MR. BAINWOL

Mr. Bainwol. Thank you, Chairman Latta, and members of the
distinguished committee.

I have an extensive deck to go through and so I ask for your
patience because I am going to zip through it fairly quickly.

I am here today on behalf of the Alliance of Automobile
Manufacturers. We are 12 manufacturers from the U.S., from
Europe, and from Japan. We represent about 80 percent of the cars
on the road in the U.S.

So let me jump in. I've got eight points to make. First
point -- next slide -- is that sales have peaked. We went through
seven years of growth. We are a cyclical industry. We have now
peaked.

If you look at the bottom right, you will see that year over
year we are now down about a point from the first nine months of
'16. You also see a very significant shift in the fleet mix.
Cars over the five years are down 19 percent. Trucks, over the
five years, are up 38 percent.

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592 Point two -- there has been very broad and strong support
593 for harmonization from environmental voices. Chris Grendler is
594 a senior career guy at EPA who opens up his presentations around
595 the country with a picture of the planet and talks about the
596 importance of saving the planet.

597 So his bona fides in this area are strong. He says, "I am
598 all in on harmonization. It should not be acceptable for an
599 automaker to pay penalties under CAFE." The ICCT testified here
600 before and said, "Based on the well-designed EPA flexibilities,
601 a harmonized one national program would best be addressed with
602 NHTSA's program matching EPA's."

603 The Obama DOT talked about building a single fleet of U.S.
604 vehicles, helping to reduce costs and regulatory complexity.
605 Carol Browner -- "A clear and uniform national policy is not only
606 good news for consumers, but also good news for the auto industry,
607 which would no longer be subject to a costly patchwork." We still
608 are.

609 And, of course, the president of the United States, President
610 Obama, when he was in office, clear certainty that will allow these
611 companies to plan for a future, which are building cars in the
612 21st century.

613 So there is strong support from, really, both sides of the
614 aisle.

615 Point three -- the determination has been suggested in some
616 of the opening statements was rushed. On November 29th that was

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617 a screen shot of the EPA website which talked about the
618 determination coming out in April of 2018 simultaneously with
619 NHTSA.

620 November 30th the screen shot disappeared. It was like
621 those old Soviet photos where the picture of the guy leaves and
622 bingo, they are gone. So the process changed. The determination
623 was rushed.

624 The industry is completely united on the idea of rebooting
625 the MTR. Eighteen CEOs from all the major companies that operate
626 in the U.S. -- some of whom are based here, some of whom chose
627 to invest here -- all signed a letter asking that we not prejudge
628 the outcome but that we reboot the MTR to the original schedule
629 that was promised when the deal was done in 2011.

630 Next slide. Point four -- reality is now contradicting
631 theory. When the final determination came out in January, the
632 line was the automakers were over complying. Everything is fine.

633 A few weeks later, NHTSA came out with new evidence on
634 compliance and showed that for '16 and '17 we are now under
635 complying. So the reality on the ground is under compliance in
636 '16-'17.

637 Point five -- the math here is really, really important. IF
638 you go from 10 to 20 -- I am sorry, from 10 to 20 mpg over a thousand
639 miles, you save 50 gallons. If you go from 40 to 50 over a thousand
640 miles, you save five gallons. There's a 10 to 1 multiplier
641 focussing on the front end of the curve rather than the back end

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642 of the curve. That suggests that the most important thing you
643 guys can do is to make sure that fleet turnover happens as rapidly
644 as possible.

645 This next slide shows that the bulk of the savings through
646 2025 has already been realized. NHTSA has proposed through 2025
647 in terms of gallons saved 179 million gallons.

648 If you take 2021 and you plus it up 1, 2 or 3 percent, you
649 get somewhere between 97 and 99 percent of the savings. So we
650 can talk about this big gap in terms of the politics of the issue.
651 But in terms of the substance through 2025, we're 97 percent to
652 99 percent there. That's pretty impressive.

653 I am really running out of time. Gas prices were profoundly
654 wrong -- .6. That's changed to fleet mix in a dramatic way. What
655 you see here in this next slide is a -- four lines. The 54 line
656 is the original deal. The 51.4 line is the same deal recalculated
657 with the change in the fleet mix.

658 And the third line is if you recalculate based on the
659 subsequent fleet mix changes where the deal now is. That's not
660 a stringency adjustment. That is where the number now is,
661 roughly, 50.

662 The final point here is that consumers have a very important
663 role in this. This is a program that gets measured by what
664 consumers buy, not by what we produce. They are saying they'd
665 like fuel economy but they are not willing to pay for it.

666 I will go through, if I can, just two slides. One in three

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667 said they would pay nothing for additional fuel economy. One in
668 10 would be willing to pay more than \$2,500 and then, finally,
669 because they say they like fuel economy it's important to
670 understand contextually where it fits.

671 Affordability and reliability are top priorities. Fuel
672 economy and safety follow. So when a consumer goes into the
673 showroom, they're looking for lots and lots of factors and lots
674 of features.

675 Fuel economy is one of those but it's not the sole determinant
676 of their choice.

677 Thank you very much.

678 [The prepared statement of Mr. Bainwol follows:]

679

680 *****INSERT 2*****

681

Mr. Latta. Thank you very much.

682

Mr. McConnell, you're recognized for five minutes.

683 "STATEMENT OF MR. MCCONNELL

684

685 Mr. McConnell. Mr. Chairman, Ranking Member of this joint

686 subcommittee, thank you for allowing me to testify on the topic

687 of fuel economy.

688 My name is Forrest McConnell. I am a third generation Honda

689 dealer from Montgomery, Alabama. I am also former chairman of

690 the National Automobile Dealers Association which represents over

691 16,000 dealers who employ 1.1 million people.

692 I've been in the car business for about 40 years selling

693 fuel-efficient Hondas through good times and bad. But one thing

694 never changes. People buy new vehicles based on two factors --

695 one, does it fit their needs, and two, can they afford it.

696 So how fuel economy is regulated is very important to my

697 customers. Mr. Chairman, Rube Goldberg would be proud of the

698 convoluted way our nation regulates fuel economy.

699 As members know, there are not one but three fuel economy

700 programs that automakers must follow. These different fuel

701 economy programs are administered by three different agencies --

702 NHTSA, EPA, and the California Air Resources Board -- under three

703 different sets of rules pursuant to three different laws,

704 potentially resulting in three different standards, all of which

705 must be separately followed.

706 These sometimes contrary regulations labelled by the Obama

707 administration as one national program but they're actually three

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708 separate programs.

709 When Congress established CAFE, they gave NHTSA the sole
710 authority for setting fuel economy standards. To avoid a
711 patchwork of state standards, Congress also correctly pre-empted
712 states from regulating fuel economy.

713 Since 2009, we've had something very different. Multiple
714 regimes under the one national program flow from judicial and
715 executive branch actions. This program put EPA in charge of
716 setting fuel economy policy and allowed California for the first
717 time to set its own standard.

718 These actions have undermined the CAFE program that Congress
719 created. Congress should return to one actual fuel economy
720 program. There are benefits to having regulatory clarity.

721 For example, the CAFE program was written to regulate fuel
722 economy. When setting standards, NHTSA must balance job loss,
723 consumer choice, safety, and market demands.

724 In contrast, the Clean Air Act was not designed to regulate
725 fuel economy. The EPA is not required to balance factors such
726 as consumer choice, safety, or job loss when setting a standard.

727 California's regulation only considers economic factors in
728 that state, which is why it makes poor national policy.

729 California and every state is expressly pre-empted from
730 regulating fuel economy. Yet, this has been ignored since 2009.

731 All this unnecessary regulation costs money. Multiple fuel
732 economy regimes harm customers because auto manufacturers must

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733 charge more for the cars that customers want to subsidize the
734 cars the regulators demand.

735 These regulatory costs help make the one national program
736 the most expensive set of rules ever at a cost of \$209 billion.
737 Now, I've never seen a billion dollars but I understand it's a
738 lot of money.

739 This will raise the average price of a vehicle nearly \$3,000
740 and will price over 6 million people entirely out of the new car
741 market.

742 America will benefit from returning to one real national fuel
743 economy program established by Congress. This is not a new idea.

744 In 2011, the House passed a bipartisan bill sponsored by
745 Congressman Upton that would have re-established CAFE as the sole
746 fuel economy program.

747 Mr. Chairman, we can do better than this Rube Goldberg way
748 of setting fuel economy policy. Let's bring accountability back
749 by returning to one national policy. This program will continue
750 -- this approach will create continuous fuel economy improvements
751 that customers want and that they can afford. The power rests
752 with you.

753 Thank you.

754 [The prepared statement of Mr. McConnell follows:]

755

756 *****INSERT 3*****

757 Mr. Latta. Thank you very much, and at this time, Dr. Cooke,
758 you're recognized for five minutes. Thanks for your testimony.

759 "STATEMENT OF MR. COOKE

760

761 Mr. Cooke. Thanks. Good morning, Mr. Chairman and ranking
762 members.

763 My name is Dr. Dave Cooke and I am a senior vehicles analyst
764 with the Union of Concerned Scientists, a nonprofit advocacy
765 organization whose primary mission is to ensure that policy is
766 crafted on the best available science without political
767 interference.

768 I appreciate the opportunity to comment this morning on the
769 current fuel economy and emission standards. Transportation is
770 now the leading source of carbon dioxide emissions in the United
771 States and the 2012 to 2025 light-duty vehicle standards represent
772 the largest single step towards reducing greenhouse gas emissions
773 and oil use in the U.S.

774 One national program recognizes the independent authorities
775 of the National Highway Traffic Safety Administration,
776 Environmental Protection Agency, and California, as well as the
777 states that follow California's lead on tailpipe pollution
778 regulations.

779 At the same time, it helps provide a coordinated approach
780 to achieving reductions in oil use and emissions that allows
781 manufacturers to be able to design a single fleet capable of
782 complying with all fuel economy and greenhouse gas regulations,
783 should they choose to.

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784 Separately, California and other states have adopted a zero
785 emissions vehicle program in order to address air quality issues.
786 These states currently face \$37 billion in annual health impacts
787 related to passenger vehicle pollution.

788 By 2030, the ZEV program will cut that by 35 percent. While
789 increasing the sales of electric vehicles will ultimately help
790 manufacturers comply with greenhouse gas regulations, that is not
791 the program's primary purpose and it appropriately is not part
792 of one national program.

793 Of course, the implications of one national program extend
794 beyond national security and under EPCA or greenhouse gas
795 emissions under the Clean Air Act.

796 These cost-effective standards help put money back into the
797 hands of consumers by saving them money at the gas pump.
798 Improving the efficiency of new vehicles is especially critical
799 for lower and middle class families who spend a greater share of
800 their income on fuel and these standards disproportionately benefit
801 those individuals by making the new and used car market more fuel
802 efficient.

803 The efficiency of cars and trucks continues to improve as
804 a result of these standards. With SUVs showing some of the
805 greatest levels of improvement year over year precisely because
806 these size-based standards encourage manufacturers to offer more
807 fuel-efficient options in all vehicle classes.

808 And even as the fleet is becoming more efficient, automakers

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809 are setting sales records. At the same time, the success of these
810 standards cannot be taken for granted.

811 Suppliers have invested nearly \$50 billion building and
812 expanding factories around the U.S. as a result of the certainty
813 these standards provide, growing manufacturing jobs by more than
814 20 percent.

815 Anything done to weaken the standards and undermine those
816 investments could have a drastic -- could have drastic
817 consequences for a supplier base with a broad national footprint
818 and, in turn, the U.S. economy.

819 This technology investment is part of why we are confident
820 that manufacturers can achieve the 2025 standards. Automakers
821 have barely begun deploying many off-the-shelf technologies that
822 can improve the efficiency of conventional gasoline-powered
823 vehicles and new unanticipated developments continue to emerge
824 that can reduce fuel use even further.

825 As a result of this progress, NHTSA and EPA were able to
826 jointly show in the technical assessment report that cost to
827 comply with fuel economy and greenhouse gas emission standards
828 had declined.

829 As required under the midterm evaluation process agreed to
830 by all parties to the one national program, EPA reviewed the
831 comments on the TAR and moved forward with the determination on
832 whether its standards for 2022 to 2025 remained appropriate.

833 Based on the best available economic and technical data

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including data provided by manufacturers, EPA concluded that the 2025 standards remained appropriate. In fact, EPA agreed with our assessment that the data shows that manufacturers could meet even stronger standards by 2025.

But the agency chose instead to leave the standards as is to provide the certainty needed for continued investment and efficiency.

By seeking to renegotiate the terms of the one national program, automakers are injecting uncertainty into the progress, stymieing progress and forestalling investment.

This directly harms consumers and risks long-term impacts for the industry. Ceding leadership as the rest of the world moves forward signals a repeat of the failings that required American taxpayers to bail out the industry in 2008 and suppliers could exit to China or Europe in response.

Rather than wriggling out of their commitment to seek relief, as the alliance puts it, any way we can get it, manufacturers should be doubling down on improving efficiency to protect American investment and American jobs.

One national program is working now to provide fuel savings for Americans, improve national security, and reduce emissions. But this progress is in jeopardy as a direct result of automakers' recent actions to undermine these standards.

It is critical to continue to hold automakers accountable for the promises they have made to the American people.

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859 [The prepared statement of Mr. Cooke follows:]

860

861 *****INSERT 4*****

862 Mr. Latta. Thank you very much for your testimony.

863 Mr. Bozzella, you are recognized for five minutes.

"STATEMENT OF MR. BOZZELLA

Mr. Bozzella. Thank you, Chairman Latta, Chairman Shimkus, Ranking Member Schakowsky, Ranking Member Tonko.

On behalf of the Association of Global Automakers, thank you for the opportunity to testify today.

Global Automakers represents the U.S. operations of international automobile manufacturers that design, build, and sell cars and light trucks in the United States.

Our member companies have invested \$59 billion in U.S.-based facilities and directly employ over 100,000 Americans. Our members are building cars and trucks that are more fuel efficient and cleaner than ever, and making tremendous strides in vehicle electrification.

Our future progress in reducing emissions and fuel consumption depends on a number of factors, some of which are not fully within the control of manufacturers.

The most important factor is the customer. As we have seen, when gas prices are low fuel economy is less important to customers when they purchase a new car or truck. Government regulations are also important.

Manufacturers are required to produce vehicles to meet regulatory requirements that may have been set in different times and under very different circumstances.

To that end, as we talk about the fuel efficiency of vehicles,

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we should also talk about the efficiency of public policy. The auto industry, federal government, and state of California established one national program, ONP, to address the fact that multiple agencies across 15 jurisdictions were using different tools to regulate similar aspects of the vehicle.

The resulting program aims to harmonize CAFE and GHG standards for light-duty vehicles. The ONP provides substantial year over year reductions in petroleum consumption across the nation for all light-duty vehicles while reducing unnecessary regulatory duplication.

Recognizing the nationwide benefits produced by the federal program, California accepts compliance with federal standards as compliance with its GHG program.

But despite ONP's efforts to better align notable differences among the programs remain. That makes no sense.

The current scheme creates friction and drag in the system that slows innovation and imposes unnecessary compliance costs ultimately born by consumers with no added environmental or energy benefits.

In fact, under the current standards as you have heard, a manufacturer could comply with one standard but not the other.

This is a prescription for wasted time, talent, and resources which would be more productively directed toward engineering and other challenges associated with actually reducing vehicle emissions. Some of these problems can be solved in a

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914 straightforward manner.

915 In mid-2016, Global Automakers and the auto alliance jointly
916 submitted a petition to EPA and NHTSA requesting regulatory
917 changes permissible within the statutory constructs of each
918 relating primarily to the banking accruing and applications of
919 credits and process improvements that will promote additional
920 innovative technologies with real fuel savings benefits. The
921 agencies should respond to this petition without delay.

922 These regulatory changes, however, cannot fully address the
923 differences in federal statutes, which means that legislation is
924 necessary.

925 Global Automakers supports congressional action to provide
926 greater certainty and consistency between the federal programs.

927 These problems all have solutions. We simply haven't put
928 them to action and that creates a dilemma. The auto industry is
929 in the middle of fundamental transformations to electrification
930 and automation.

931 The cars we sell today need to be able to generate the
932 resources to fund these transitions and we need to be thoughtful
933 about public policy to support these efforts.

934 Finally, it's critically important that all of the parties
935 remain at the table to work through these issues. It is far
936 preferable that we resolve these issues without litigation or a
937 retreat from one national program.

938 Those paths would only create uncertainty, which would

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939 discourage investments in innovation and freeze further progress
940 in emissions reductions.

941 Global Automakers remains committed to a harmonized national
942 approach and we look forward to working with you toward that goal.

943 Thank you, and I will be happy to answer any questions.

944 [The prepared statement of Mr. Bozzella follows:]

945

946 *****INSERT 5*****

947 Mr. Latta. Thank you very much and we appreciate your
948 testimony, and we will now move into our question and answer
949 portion of the hearing.

950 I will begin the questioning and recognize myself for five
951 minutes.

952 Mr. McConnell, as a dealer, how can you tell the
953 subcommittees about consumer trends, especially with respect to
954 the types of vehicles they are purchasing today?

955 Is your mic on, please?

956 Mr. McConnell. Thank you very much for your question.

957 You know, the customer makes their own decision of what car
958 to buy. You can build cars. That doesn't that the customers --
959 the demand is there.

960 So the two things that I've found is customers buy their needs
961 for a car. For example, I had a -- we had a customer the other
962 day. She was pregnant, having her -- with her second child. Big
963 soccer mom.

964 You know, they had moved from a smaller car up to Odyssey
965 minivan that suits her needs. But the demand for cars right now
966 is 63 percent of the people are trucks versus about 34 percent
967 cars. So it's changed tremendously in the last couple of years
968 and that's because the price of gas went down from \$4 a gallon
969 basically into the \$2s.

970 Mr. Latta. Thank you.

971 Mr. Bainwol, with the current rules and regulations in place

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972 do we in fact have one national standard for CAFE and greenhouse
973 gas emission standards?

974 Mr. Bainwol. We do not, effectively.

975 Mr. Latta. And how do the EPA -- and how did the EPA's less
976 than seven-week process from public hearing to final
977 determination impact the midterm review?

978 Mr. Bainwol. Well, it disconnected first from NHTSA. So
979 if you go back to 2011, there was essentially trade and the
980 agreement was the industry would agree to very ambitious
981 aggressive targets over a very long period of time through 2025.

982 In exchange, the industry would get a common sense analytic
983 look back to make sure that the projections were accurate and we
984 would get one national program.

985 What we've gotten is neither. We are pledged to try to get
986 there but we do not have one national program and we -- and the
987 midterm review was premature.

988 When the TAR came out, we asked for an extension. We were
989 told, don't worry, there's going to be plenty of time. The
990 extension request was denied.

991 When the original proposed determination came out, we asked
992 for an extension and it was denied. And over the course -- we
993 had about 20 days over the course of the Christmas holidays. And
994 so everything was very compressed and there was a very strong
995 disagreement about the substance of the report, which we never
996 really got to work our way through.

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997 Mr. Latta. Let me ask you this, because I believe that you
998 made some comments, and were any of the flawed assumptions that
999 you raised addressed by the agency?

1000 Mr. Bainwol. Not really, and I think it's worth pointing
1001 out there has been an attitude on the part of some that the TAR
1002 and the subsequent work was the Holy Grail -- that it was without
1003 dispute. And I would just simply like to point out that the EPA
1004 made many assumptions and if you go through and just look at the
1005 points, they've been proven false.

1006 There was a -- there was a massive failure on projecting gas.
1007 There was -- the fleet mix question was completely butchered.
1008 There was a view that we were over complying and we were under
1009 complying. So we can talk about the substantive value of that
1010 report under which the midterm was set and was finalized. But
1011 they made mistakes that were -- that were really quite profound.

1012 Mr. Latta. Let me ask you, because you're pointing out all
1013 these mistakes. And your pointing these mistakes out -- what did
1014 they say?

1015 Mr. Bainwol. Well, originally, they said there would be
1016 time to talk about it later on and we kind of lost that time.

1017 There are substantive disagreements. We believe -- I think
1018 the most important mistake, in our view, is just the amount of
1019 electrification necessary to comply.

1020 They believe they can comply over the schedule with minimal
1021 electrification. We believe much more is required, and if you

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1022 look at the purchase pattern in the marketplace that's the real
1023 problem.

1024 Mr. Latta. Okay.

1025 Mr. Bozzella, if I could, in my last minute here -- by having
1026 different standards from multiple agencies leads to automakers
1027 building cars consumers are not buying, what effect will that have
1028 on jobs and growth in the United States auto industry?

1029 Mr. Bozzella. I think it certainly could have a fairly
1030 significant impact on jobs and on the growth of the industry.

1031 You know, the -- what's happening here is we are having to
1032 waste time and resources on compliance when we ought to devote
1033 that time and resources to innovation that improves fuel economy.

1034 So with one standard, what you can do is focus that
1035 investment, and it's massive investment, and all of you know and
1036 many of you on both sides of the aisle have praised that
1037 investment. Many of you represent states and communities where
1038 you see that investment first hand.

1039 What we want to make sure is every dollar of those investments
1040 are focussed on improving fuel economy as opposed to efforts to
1041 comply for the sake of compliance with no benefit.

1042 Mr. Latta. Thank you very much. My time has expired and
1043 at this time the chair recognizes the ranking member of the
1044 subcommittee, the gentlelady from Illinois for five minutes.

1045 Ms. Schakowsky. I would just like to point out this is the
1046 two-year anniversary of the Paris Accords and, unfortunately, in

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1047 my view, the United States is no longer part of that. And it seems
1048 to me that what's being considered today might actually increase
1049 the pollution caused by weakening fuel economy standards.

1050 So the plea for harmonization between EPA's and NHTSA's
1051 program isn't about aligning different regulations. It's about
1052 weakening fuel economy standards.

1053 All the credits that the automakers want to be added to
1054 NHTSA's program are going to cause stagnation of fuel economy's
1055 goals and not harmonizations.

1056 Dr. Cooke, let me first ask you, are these programs working
1057 and are U.S. cars more efficient and less polluting than they used
1058 to be?

1059 Mr. Cooke. Absolutely. Vehicles have gotten
1060 significantly more efficient over the past five years.

1061 Ms. Schakowsky. Are the yearly goals for the two programs
1062 stifling innovation or actually helping to drive it?

1063 Mr. Cooke. I think the fact that fuel economy is improving
1064 and that you see continued new research, you know, announcements
1065 from automakers shows that they're investing and that this is
1066 driving innovation.

1067 Ms. Schakowsky. And as I understand, the car makers want
1068 to reinstate expired credits from earlier years when standards
1069 were much more lax and they want to extend the life of those credits
1070 from five to 11 years and they want to add a whole new category
1071 of credits to the mix and they want to relax the caps on their

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1072 ability to transfer the credits they earn on their cars to their
1073 pickup trucks.

1074 Dr. Cooke, have I left anything out in that list of what they
1075 want?

1076 Mr. Cooke. No, I think that sounds about right.

1077 Ms. Schakowsky. Do automakers, Dr. Cooke, really need such
1078 a substantial expansion of credits to meet the fuel economy
1079 standards?

1080 Mr. Cooke. No, I think the TAR and the work since the vast
1081 body of evidence shows that there are plenty of technologies that
1082 they could be applying to their vehicles in order to meet the
1083 standard and if they met the CAFE standard, which they're trying
1084 to weaken through these credits, they would be in compliance with
1085 the EPA standard as well. So --

1086 Ms. Schakowsky. If automakers were to get all the
1087 retroactive credits they're asking for, what would this mean for
1088 real improvements in fuel economy, going forward?

1089 Mr. Cooke. The vast volume of credits could really offset
1090 and forestall continued investment in inefficiency and so you
1091 could see manufacturers using their credits to, you know, stall
1092 progress on the fuel economy of the pickup trucks that many drivers
1093 are looking to purchase and that affects our ability in the long
1094 term as -- through the midterm process that would set up a
1095 trajectory where we have weaker vehicles going into the 2022 model
1096 year and the standards are then further weakened through this lack

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1097 of progress and we could see, you know, 8- to 10-mile per gallon
1098 reduction in the 2025 targets as a result.

1099 Ms. Schakowsky. Well, while we are on the topic of credits,
1100 car makers have complained about the fact that the EPA has allowed
1101 them to get extra credits for using certain technologies like
1102 stop-start ignitions systems but NHTSA has not given them credits.

1103 I am referring to off-cycle credits. We are told that
1104 NHTSA's needs to harmonize with the EPA and allow these credits
1105 to count retroactively toward both emissions goals and fuel
1106 economy standards.

1107 So Dr. Cooke, aren't these off-cycle technologies already
1108 factored into NHTSA's fuel economy goals?

1109 Mr. Cooke. Yes, that's right. NHTSA explicitly excluded
1110 them from the 2012 to 2016 regulations when they set the standards.

1111 Ms. Schakowsky. And in fact didn't NHTSA intentionally set
1112 its fuel economy goals lower than EPA's emission goals precisely
1113 because its program didn't include these credits?

1114 Mr. Cooke. That's right. Its standard was about one mile
1115 per gallon lower as a result.

1116 Ms. Schakowsky. And if NHTSA -- if NHTSA were to allow
1117 off-cycle credits to apply retroactively to its already
1118 discounted fuel economy standards, shouldn't it also reset those
1119 standards to make them more stringent?

1120 Mr. Cooke. That's correct.

1121 Ms. Schakowsky. So do you buy the estimate that this would

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1122 raise the cost of a car \$3,000? Does that take into account what
1123 the lower gas price would be?

1124 Mr. Cooke. I have no idea where that \$3,000 number is coming
1125 from. It is outdated.

1126 Ms. Schakowsky. Thank you. I yield back.

1127 Mr. Latta. Thank you very much. The gentlelady yields
1128 back.

1129 The chair now recognizes the chairman of the Subcommittee
1130 on Environment, the gentleman from Illinois, for five minutes.

1131 Mr. Shimkus. Thank you, Mr. Chairman.

1132 I guess, first, following a couple of the lines of questions,
1133 to the automakers, first of all, it's just a -- it's just a thank
1134 you, and to the auto dealer.

1135 You represent America, in which you raise capital, assume
1136 a risk, provide a good, and try to sell a good. You pay living
1137 wages. Many times you pay health benefits. You're paying taxes
1138 to the country. You're paying local taxes that fund our schools,
1139 our towns, and our communities. You probably are supporting
1140 local sports leagues and sport teams and stuff like that.

1141 So I always get frustrated when we bring people before us
1142 who are doing everything we ask and they seem like they're on trial
1143 and that they're under attack. It just -- it is unfortunate.

1144 So, first of all, thank you. Now, to the point -- part of
1145 this debate is that Obama administration moved the goalpost in
1146 this midterm review. Is that correct? Mr. Bainwol and then Mr.

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1147 Bozzella.

1148 Mr. Bainwol. Yes, it is correct.

1149 Mr. Bozzella. Correct.

1150 Mr. Shimkus. And your request is what?

1151 Mr. Bainwol. Our request is simply to go back to the
1152 original Obama time line.

1153 Mr. Bozzella. And have a fact-based evidence-driven
1154 process.

1155 Mr. Shimkus. Because -- and you want that because?

1156 Mr. Bozzella. Because we need to get it right. It is
1157 critically important to the customer, it is important to investors
1158 who are investing in this country, and it is important for all
1159 of us who care about reducing greenhouse gas emissions and
1160 improving fuel economy. That is why.

1161 Mr. Shimkus. And isn't it safe to say that when you do a
1162 formula, over time variables in the formula could change?

1163 Mr. Bainwol. That's correct, and they have changed.

1164 Mr. Shimkus. And then give me some examples of those changes
1165 in those areas.

1166 Mr. Bainwol. Well, we talked about the gas price reality
1167 and there's nothing that drives behavior in the marketplace more
1168 than the price of gas. So that's -- that's the biggest factor
1169 and that has changed the fleet mix and that has changed ultimately
1170 the compliance reality.

1171 So we are now under complying. And I think it's important

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1172 to point out there are two different programs. EPA was estimated
1173 to save something like 65.6 billion gallons. The NHTSA program
1174 was going to save something like 65.3 billion -- essentially, the
1175 same thing.

1176 And we are complying with the more numerically stringent EPA
1177 program. So in the discussion of harmonization that doesn't
1178 change. We are not touching the EPA at all.

1179 Mr. Shimkus. Let me go to the -- Mr. McConnell, just from
1180 your observations of the consumers in this process and based upon
1181 this discussion, the consumer have changed in their choices of
1182 what they want to, you know, pull off the lot, right? And can
1183 you give me that observation?

1184 Mr. McConnell. Yes. The one thing I wanted to mention, the
1185 \$3,000 additional cost to my customers is from the three rules
1186 -- the total cost. It's in the Federal Registry.

1187 The TAR is in a rule. Customers, as you in life, they make
1188 decisions. Times change. You have different stages. You have
1189 different desires. But, you know, Congress got it right the first
1190 time by not having a patchwork.

1191 You want to consider affordability to customers and their
1192 consumer choice, and they get the car that fits their needs and
1193 the one thing I want to point out is this is the customer's money.

1194 You can -- a regulator can demand a certain car gets built.
1195 But a customer has the right to spend his money. Maybe it's a
1196 Prius because that works for you. Maybe you have to have a truck

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1197 because you have a business and that's how you earn your
1198 livelihood.

1199 Mr. Shimkus. Yes. Let me reclaim my time because I am
1200 running short. But I am from rural America. We like big
1201 vehicles. We like big trucks. So I know what's being sold in
1202 my -- as we say, in my neck of the woods.

1203 Let me -- let me finish with the auto manufacturers and this
1204 may not be a surprise to some of my friends. There is a government
1205 initiative, Co-Optima, which is underway to define and understand
1206 the costs and benefits of high-compression engines and
1207 high-octane low-carbon fuels.

1208 If your industry were to go in that direction, what do you
1209 think it would mean in terms of emission reductions or consumer
1210 affordability for vehicles in the model year 2021 and beyond?

1211 Mr. Bainwol. Well, high-octane absolutely has value in
1212 terms of fuel efficiency and I've seen it estimated something in
1213 the order of 4 or 5 percent as a plateau shift.

1214 So there's real value on high-octane and then there's a
1215 question of how you get it, and on that question we're a little
1216 bit agnostic but we'd be happy to work with you.

1217 Mr. Shimkus. But certainty is part of that process too,
1218 right?

1219 Mr. Bainwol. Yes.

1220 Mr. Shimkus. Mr. Bozzella?

1221 Mr. Bozzella. Yes. I think you have to look at the vehicle

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1222 and the fuel are one system. And so that's what's driving that
1223 type of work, right. So you -- if you have more efficient engines
1224 and cleaner engines you want to have a fuel that matches one
1225 system.

1226 Mr. Shimkus. Excellent. I yield back my time.

1227 I thank the chairman.

1228 Mr. Latta. Thank you. The gentleman yields back.

1229 The chair now recognizes the ranking member of the
1230 Environment Subcommittee, the gentleman from New York, five
1231 minutes.

1232 Mr. Tonko. Thank you.

1233 Dr. Cooke, as I mentioned in my opening statement, this
1234 committee received testimony that automakers are already ahead
1235 of schedule to meet standards for upcoming model years.

1236 Did the TAR find that the targets for later model years can
1237 be met by mostly efficiency improvements to gas-powered engines?

1238 Mr. Cooke. Yes, that's correct. There's not a significant
1239 deployment needed of electrification.

1240 Mr. Tonko. Thank you.

1241 And numerous comments to the TAR and proposed determination
1242 outlined a number of technologies that reduce greenhouse gas
1243 emissions that are commercially available.

1244 Your testimony mentions a number of proven technologies have
1245 not been widely deployed. Some of these have existed for years
1246 but still are only found in 10 or 20 percent of new vehicles.

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1247 Dr. Cooke, can you discuss how off the shelf technologies
1248 could be more widely adopted?

1249 Mr. Cooke. Sure. I think the -- you look at what Ford has
1250 done with its turbo-sized downsized engines -- turbocharged
1251 downsized engines where you can provide equivalent amount of power
1252 from a smaller engine. Even they haven't sort of moved that
1253 technology across the board and they're certainly a leader, and
1254 other vehicle manufacturers can either move in that same direction
1255 with something that's proven or define a new pathway and we are
1256 seeing those developments routinely come out in new
1257 announcements, you know, ever few months.

1258 Mr. Tonko. Why haven't these commercially-available
1259 technologies been adapted more quickly?

1260 Mr. Cooke. I think one of the challenges is that product
1261 cycles are long. They're about five years, and so it does take
1262 time to redesign a vehicle.

1263 But, you know, at the same time, we've seen instances where,
1264 for example, Toyota's large trucks haven't seen a power train
1265 upgrade in a decade.

1266 So I think there's inconsistency in the industry in how
1267 quickly they're moving these technologies through.

1268 Mr. Tonko. Thank you.

1269 And would additional vehicle models meet higher fuel
1270 efficiency standards if more of these commercially available
1271 technologies were more broadly utilized?

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1272 Mr. Cooke. Absolutely. There is plenty of room for them
1273 to meet the standards.

1274 Mr. Tonko. Thank you.

1275 It's also my understanding that there are also several other
1276 well-known technologies that are under development and will very
1277 likely provide alternative cost-effective pathways toward
1278 meeting these standards.

1279 Dr. Cooke, is that accurate?

1280 Mr. Cooke. Yes. I think one of the things that the
1281 modelling shows and the fact that the TAR was done both by NHTSA
1282 and EPA using slightly different assumptions and different
1283 modelling results resulted in a number of different pathways that
1284 manufacturers could choose to meet the standards.

1285 So it's a robust analysis that proves that there are multiple
1286 pathways of getting there.

1287 Mr. Tonko. And despite the likelihood of these technologies
1288 become available in the near future, is it accurate that EPA did
1289 not consider them when determining the appropriateness of the
1290 model years 2022 to 2025 standards?

1291 Mr. Cooke. I think there are a number of technologies which
1292 EPA -- which have been developed since EPA's proposal that show
1293 that we can go even further and, you know, developments that were
1294 completely unanticipated, not just when the agencies wrote the
1295 original rule but even since the final determination.

1296 Mr. Tonko. And why do you believe the EPA and manufacturers

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1297 have consistently under estimated how fast technologies can be
1298 developed?

1299 Mr. Cooke. It's obviously in their interest to only provide
1300 regulators data which will result in the standards that are most
1301 easily achievable. So there is -- you know, at the same time,
1302 I don't understand why -- fully why they underestimate what their
1303 engineers are capable of. But history has certainly shown that
1304 to be true.

1305 Mr. Tonko. Well, thank you, Dr. Cooke.

1306 I think it's clear that these standards are achievable.
1307 They're cost effective and appropriate, and I have full faith in
1308 American automakers as well as the existing flexibility of the
1309 program to reach these standards.

1310 So I can't support the uncertainty created by reopening the
1311 midterm review determination.

1312 Dr. Cooke, last week Administrator Pruitt testified before
1313 this committee that the midterm evaluation process was flawed
1314 because it did not happen at the April 2018 deadline.

1315 I know we are used to EPA missing deadlines but is there
1316 anything in the regulations that prevented EPA from evaluating
1317 the appropriateness of the standards before April 2018?

1318 Mr. Cooke. No. Absolutely not. And given the long
1319 product cycles, more advanced notice is preferable.

1320 Mr. Tonko. And do you think there's anything included in
1321 the TAR or the determination that makes it incomplete or

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1322 inaccurate?

1323 Mr. Cooke. I think there was a fairly thorough analysis.
1324 It was 1,200 pages and four-plus years of careful technical and
1325 economic analysis -- many studies -- many peer-reviewed studies,
1326 many benchmarking, you know, tests in their own labs. There was
1327 a lot of data that this was based on.

1328 Mr. Tonko. Thank you very much.

1329 With that, I yield back.

1330 Mr. Latta. The gentleman yields back and the chair now
1331 recognizes the gentleman from West Virginia for five minutes.

1332 Mr. McKinley. Thank you, Mr. Chairman.

1333 I want to deviate a little bit from this issue over the 22
1334 to 25 series and more looking -- there was a comment earlier in
1335 one of the opening statements about safety.

1336 I am still curious. I see there are competing reports out
1337 there, depending upon your perspective, of whether or not the
1338 efficiency, and Congressman Tonko and I work together frequently
1339 on legislation over efficiency.

1340 So I am -- as an engineer here in Congress, I like the idea
1341 of efficiency but I also want to measure the, I suppose, the
1342 benefit ratio -- cost benefit ratio of what's it doing on safety.

1343 Because our cars are -- some cars are getting lighter.
1344 They're using more aluminum, less steel. But yet, you will hear
1345 some reports will talk about the fact that in real-world
1346 conditions there are more accidents, more people -- last year,

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1347 we had an increase in deaths on the highway. So others will say
1348 if -- under a model situation if all cars were the same size on
1349 the highway there wouldn't be. That's not the real world.

1350 So I would like to hear back a little bit from you about the
1351 safety aspects when we continue this because I want us to continue
1352 down the road of increasing efficiency of our cars. But I don't
1353 want to do it at the risk of our people that are driving the cars.
1354 So that's my first question and I want to get, if we could, just
1355 some quick responses back to safety.

1356 Mr. Bainwol. I'll jump in. You have hit, obviously, a very
1357 important point and it's one of the reasons why NHTSA jumping ahead
1358 of -- I am sorry, EPA jumping ahead of NHTSA was a problem. NHTSA,
1359 under statute, has to look at a range of factors including safety.

1360 EPA does not. And so that -- so your concern about safety
1361 is valid and it ought to be incorporated in the analysis and so
1362 I think it's a good thing.

1363 Mr. McConnell. He's 100 percent right. The good thing
1364 about what Congress set it up with CAFE is you had to consider
1365 safety was one of the factors.

1366 EPA does not. California does not have to consider anything
1367 but economic factors only in that state, and as you know they've
1368 reduced the massive cars tremendously so that --

1369 Mr. McKinley. Well, let me, if I could, reclaim -- let me
1370 ask a more definite -- rather than to keep it open ended. Do you
1371 think increasing the efficiency has caused or contributed to the

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1372 increase accident rate or fatalities on our highways?

1373 Mr. McConnell. I don't know if have the expertise to answer
1374 that question. But I will say that the -- Congress got it right
1375 because they required CAFE to consider safety and EPA does not
1376 have to consider safety at all.

1377 Mr. McKinley. Okay. I am running out of time on this but
1378 --

1379 Mr. Cooke. There is no -- there is no evidence to support
1380 the question -- the conclusion that these are having an adverse
1381 effect on the accidents.

1382 Mr. Bainwol. But what we do know is that the older the car
1383 the bigger the safety risk. A new car has technology to avoid
1384 accidents. A new car has structural integrity and is better
1385 maintained.

1386 So if you want -- if your priority is safety on the roads,
1387 the ability to move fleet turnover is crucial.

1388 Mr. McKinley. I am sorry I didn't call on you, Mr. Bozzella.

1389 During the testimony -- Dr. Cooke's testimony I saw your body
1390 language was very illuminating -- that you were shaking your head.
1391 Do you want to express yourself in the time -- I've got a minute
1392 and 13 seconds left -- either one of you to say where you disagree
1393 with Dr. Cooke?

1394 Mr. Bozzella. I think -- and, again, I appreciate Dr.
1395 Cooke's testimony -- but I think there's a fundamental
1396 misunderstanding of the notion of credits.

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1397 It's almost as if they're being -- they're gifts that have
1398 been delivered from some magical place. The fact of the matter
1399 is these credits are the result of investments that car companies
1400 have made that have resulted in progress.

1401 So they've made more achievement and so this credit is a
1402 reward for innovation. It's actually earned for the investment
1403 that companies are making. And so the point of this is not --
1404 we are almost having an abstract conversation about credits.

1405 It's really important to recognize that these are important
1406 tools in the toolbox because what they do is they encourage
1407 innovation and they also help balance and smooth the ups and downs
1408 of product development cycles in an a program where year over year
1409 fuel economy increases are required.

1410 Mr. McKinley. Thank you.

1411 Mr. Bainwol, do you have anything to add to that?

1412 Mr. Bainwol. That was the right analytic answer. My body
1413 language was I was just imagining Dr. Cooke running a car company
1414 because he seems to have a vision that is profitable but real car
1415 companies are -- have apparently not the capacity to do that. So
1416 --

1417 Mr. McKinley. I yield back.

1418 Mr. Latta. Thank you. The gentleman yields back.

1419 And the chair now recognizes the gentlelady from California
1420 for five minutes.

1421 Ms. Matsui. Thank you very much, Mr. Chairman.

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1422 The Clean Air Act gives the EPA the authority to grant the
1423 state of California a so-called waiver to adopt its own air
1424 pollution standards for vehicles.

1425 Approximately a dozen states have adopted California
1426 standards as well. Mr. Cooke, can you please tell us why
1427 California was given the ability to adopt its own emission
1428 standards?

1429 Mr. Cooke. Sure. California's leadership predates the
1430 Clean Air Act. They were the first state -- they were the first
1431 body to regulate tailpipe emissions from the vehicles -- from the
1432 vehicle industry.

1433 Ms. Matsui. And also because of the huge pollution that they
1434 had in the state also?

1435 Mr. Cooke. Exactly.

1436 Ms. Matsui. When California applies for a waiver to set its
1437 own standards, what conditions does the EPA consider while
1438 deciding whether to grant that waiver?

1439 Mr. Cooke. First, it's important to point out that the
1440 default is that the grant -- the waiver is accepted unless it meets
1441 one of three criteria -- either that the regulations were
1442 arbitrary and capricious, so not a well thought out standard --
1443 inconsistent with EPA's authority under the Clean Air Act or not
1444 compelling or extraordinary circumstances and I think it's very
1445 clear when you look at the wildfires burning why the greenhouse
1446 gas emission standards are compelling and, clearly, the air

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1447 quality issues in California create extraordinary circumstances
1448 for ZEV.

1449 Ms. Matsui. So has the EPA ever revoked one of California's
1450 waivers?

1451 Mr. Cooke. No waiver has ever been revoked once it's been
1452 granted and it's not even clear what the process would be to do
1453 so.

1454 Ms. Matsui. Okay. There are over 25 million registered
1455 cars and licensed drivers in the state of California. I am
1456 particularly interested in how CAFE standards and greenhouse gas
1457 emissions standards impact drivers in my state and across the
1458 country.

1459 Mr. Cooke, I think we've heard this here before but I've heard
1460 the argument that the vehicle efficiency standards raise costs
1461 for consumers. But I understand your organization has found
1462 otherwise. Do you know how much money drivers are saved because
1463 of the standards on a per vehicle basis?

1464 Mr. Cooke. Yes. Consumers would stand to save about a
1465 little over \$3,000 on the purchase of a new car or about nearly
1466 \$5,000 over the lifetime of a purchase of a new truck, and that's
1467 at gas prices that we are at now.

1468 Clearly, if they increase in the meantime that would be
1469 significantly higher.

1470 Ms. Matsui. Okay. And do Americans generally support
1471 strong fuel efficiency standards?

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1472 Mr. Cooke. Absolutely. Poll after poll shows that folks
1473 support strong fuel economy standards. Seven in 10 Americans
1474 specifically support government setting strong fuel economy
1475 standards and that finding spans -- crosses aisles.

1476 Ms. Matsui. Okay.

1477 Mr. Cooke, you mentioned that both the EPA and your
1478 organization found manufacturers could meet stronger standards
1479 than are currently written for 2025.

1480 What data and information do you study to come to this
1481 conclusion?

1482 Mr. Cooke. Sure.

1483 You know, the analysis that's been conducted has been
1484 extensive. But each -- you know, each month that passes we see
1485 a new data point.

1486 The fact that both EPA's and NHTSA's models confirmed that
1487 the standard -- that the costs had come down based -- you know,
1488 shows robust evidence. Then vast amount of peer-reviewed
1489 literature the EPA has been generating.

1490 The Indiana University study that was funded by the alliance
1491 actually shows that hundreds of thousands of jobs are created as
1492 a result of these standards. So there are, you know, positive
1493 economic outcomes, new data based on suppliers that ICCT has put
1494 out. I mean, the list is extensive.

1495 Ms. Matsui. Okay. And as I mentioned earlier, the
1496 International Energy Agency has found that the transportation

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1497 sector is the only sector in which energy efficiency has grown
1498 worse in this country over the past 15 years.

1499 Have you seen any factors, Mr. Cooke, here in the United
1500 States that explained this trend? Why do you think we've become
1501 less efficient in the transportation space while more efficient
1502 elsewhere?

1503 Mr. Cooke. I think one of the things that's critical is the
1504 result of the mix shift. So, you know, we are seeing a swing back
1505 to the purchase of larger cars and trucks -- you know, SUVs and
1506 pickups. And so it's really critical that these standards remain
1507 strong because they drive improvements across those vehicles and
1508 ensure that cars, trucks, and SUVs get more efficient over time.

1509 And so, you know, we've seen a plateau as a result of that
1510 fleet mix but, you know, these standards will continue to drive
1511 that and put us back on the right course.

1512 Ms. Matsui. Okay. Thank you, and I yield back.

1513 Mr. Latta. Thank you very much. The gentlelady yields back
1514 and the chair now recognizes the gentleman from Illinois for five
1515 minutes.

1516 Mr. Kinzinger. Thank you, Mr. Chairman. Thank you for
1517 yielding and I want to thank all of you for being here and spending
1518 time with us today on this really important issue and it's
1519 essential.

1520 We'll start with Mr. McConnell. I know it's been mentioned
1521 prior but in your testimony you state that the national program

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1522 set by the last administration raised the price of each vehicle
1523 by nearly \$3,000 and that doing so will price out over 6 million
1524 people from the new car market.

1525 Can you please explain how you arrived at those numbers and
1526 how consumers would react, based on your experience?

1527 Mr. McConnell. Well, the \$3,000 is the total cost for the
1528 three rules. It's been noted in the Federal Register. The
1529 customer -- the most important thing to know is fleet turnover.

1530 You know, everybody here is -- we'd be in agreement one thing.
1531 We want the fleet to turn over faster to put more people in more
1532 fuel efficient cars. And so if you make them unaffordable or you
1533 make them not as desirable with the customer, you have less people
1534 buy cars. So that's it.

1535 You know, to give you an example, the structure that you had
1536 set up under CAFE was the right one. I don't think you want
1537 California setting the standard for the rest of the country and
1538 I will give you one example.

1539 There is probably many of you in here that own a black car.
1540 California CARB had proposed a regulation called cool paint --
1541 cool paint. They would eliminate black cars because they become
1542 hotter and you have to run your air conditioner a little bit
1543 longer. I don't know what Uber would do without a black car but
1544 it would be a --

1545 Mr. Kinzinger. I have a black car, too.

1546 Mr. McConnell. So it's just -- but it's what the customer

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1547 wants.

1548 Mr. Kinzinger. That's real? They actually considered
1549 banning black cars?

1550 Mr. McConnell. Yes. It's black paint. It's called a cool
1551 paint. You can look it up.

1552 Mr. Kinzinger. And is it fair to say that the dealers are
1553 concerned that these rules will force them into a position in which
1554 they won't be able to provide the cars and trucks to people that
1555 want to buy and have prices they can afford?

1556 Mr. McConnell. That's right. You know, ultimately we buy
1557 -- we buy the cars that the manufacturers make. They sit on our
1558 lots. We own them. But ultimately to put them in the fleet the
1559 customer has to make a decision and any business that's successful
1560 has to consider what the customer wants -- can they afford it.
1561 And 90 percent of the cars are financed in this country.

1562 There is not one bank -- I've asked at least 12 banks -- that
1563 will not loan additional money just because your car gets better
1564 gas mileage.

1565 Mr. Kinzinger. So most of the people in this room could
1566 probably afford a more expensive car but there's a vast majority
1567 -- it seems like kind of a regressive tax, in essence.

1568 Mr. Bozzella, from automakers, engineers in the Department
1569 of Energy and many other technical experts, and I know Mr. Shimkus
1570 touched on this, but I understand there's been an ongoing
1571 evaluation of how high-octane low-carbon fuels such as mid-level

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1572 ethanol blend can help reduce emissions and improve efficiency
1573 when used with new optimized engines.

1574 Its most recent request from comments on the midterm
1575 evaluation EPA specifically asked for information about the
1576 impact of high-octane fuel and Administrator Pruitt also
1577 mentioned consideration of high-octane in his responses to
1578 questions in this committee's hearing with him last week.
1579 What types of work have automakers undertaken to help evaluate
1580 the benefits of high-octane fuels?

1581 Mr. Bozzella. Thanks, Congressman.

1582 As you are aware, we are constantly researching and working
1583 on the combinations of vehicle systems, power train systems, and
1584 fuels. I mentioned in response to Mr. Shimkus' question that you
1585 have to think of it as one system -- hardware software, engines
1586 and fuels.

1587 And so we are constantly evaluating new fuel and engine
1588 combinations and we think octane certainly contributes to
1589 efficiency and so there's an opportunity there, right. The way
1590 to think about it is is we can -- you know, that brings additional
1591 benefits to the process while we are still working on
1592 gasoline-powered engines.

1593 Mr. Kinzinger. So you're talking about, you know,
1594 obviously, that innovation and experimentation. You state in
1595 your testimony that the current system is stifling innovation and
1596 resulted in increased costs for consumers. Can you explain what

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1597 factors are predominantly driving this increased cost for
1598 consumers?

1599 Mr. Bozzella. Yes. It's primarily the bureaucratic drag
1600 of trying to comply with three different fuel economy systems as
1601 well as a technology-forcing mandate managed by three different
1602 agencies across 15 jurisdictions.

1603 It doesn't really make much sense. I think if we can get
1604 further alignment and ultimately to one national program as we
1605 all -- that was the aspiration we all had, we will be able to devote
1606 that investment, those substantial resources to improving fuel
1607 economy and reducing emissions.

1608 Mr. Kinzinger. So in the couple seconds I have left, if --
1609 will the existing gap between federal and state programs, if
1610 they're not harmonized do you expect to see that gap increase over
1611 the years?

1612 Mr. Bozzella. There is no question about it.

1613 Mr. Kinzinger. All right. Thank you. I yield back.

1614 Mr. Latta. Thank you. The gentleman yields back and the
1615 chair now recognizes the gentleman from California for five
1616 minutes.

1617 Mr. McNerney. I thank the chairman. I thank the gentleman
1618 from Illinois for giving me five seconds there.

1619 I thank the members of the panel this morning. Dr. Cooke,
1620 do you think the current standards have helped make the American
1621 auto manufacturers more competitive?

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1622 Mr. Cooke. I do. I think we saw what happened when they're
1623 allowed to sort of stagnate.

1624 Mr. McNerney. Thank you. Well, how do you think -- and you
1625 have already sort of answered this question but how do you think
1626 the regulations have driven employment with U.S. automakers and
1627 is this hurting the industry?

1628 Mr. Cooke. I am sorry. You said employment, correct?

1629 Mr. McNerney. Yes. How is it driving employment?

1630 Mr. Cooke. Yes. The fact that we -- that you are moving
1631 forward with new research and development on new technologies this
1632 is providing a catalyst for increased investment, not just at
1633 automakers but specifically it's drawing suppliers to invest in
1634 the U.S. as well and that, you know, they are a critical tool and
1635 they outnumber automaker manufacturing three to one. So it's
1636 driving investment in new technologies that's supportive of
1637 increased job growth.

1638 Mr. McNerney. And it's not hurting the -- is it hurting the
1639 automakers to have to hire these people or --

1640 Mr. Cooke. They don't seem to be -- you know, a lot of --
1641 many automakers are seeing, you know, extremely high profits right
1642 now and I defer to them on whether they feel like their industry
1643 is failing.

1644 Mr. McNerney. Okay. What about harmonization? How
1645 difficult do you believe that it is to meet -- the automakers can
1646 meet the different sets of standards that we are hearing about

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1647 this morning?

1648 Mr. Cooke. It's not -- it's not very difficult at all and
1649 particularly when it was pointed out explicitly in the rule making
1650 exactly the pitfalls that would face them and exactly the
1651 differences between the two programs and that was, you know,
1652 finalized as -- you know, when they signed off on one national
1653 program and nothing has changed about one national program since
1654 they signed off on those rules. You know, they were well aware
1655 of the differences between the two programs and it seems that they
1656 are choosing instead to invest in compliance just one.

1657 Mr. McNerney. Okay. You're answering my questions pretty
1658 directly here, Dr. Cooke. I appreciate that.

1659 Off-the-shelf -- you mentioned that off-the-shelf
1660 technologies already available would greatly increase fuel
1661 efficiency if it was employed. Could you expand on that a little
1662 bit?

1663 Mr. Cooke. Yes. So the fact that automakers, you know,
1664 have invested and that there are proven technologies shows that
1665 the potential is there.

1666 But it takes time to move them across, you know, the remainder
1667 of their platforms because, you know, a new car is designed every
1668 -- you know, is redesigned every five years and maybe there's a
1669 -- you know, a significant refresh in the middle at about the
1670 three-year mark.

1671 But it takes -- because of that, it takes a long time for

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1672 even technology that is ready to go to get into the fleet.

1673 But what we've seen established is that there are a plethora
1674 of these technologies that are well established, everyone
1675 understands, and are still in the low fractions of the fleet.

1676 And so over time, you know, there's plenty of room for
1677 improvement without having to resort to, you know, the most
1678 expensive technologies.

1679 Mr. McNerney. So there is a internal combustion research
1680 facility at Sandia Labs there in Livermore, which is near my
1681 district. How effective is that, do you know, in terms of
1682 providing technology that automakers can use to increase their
1683 efficiency?

1684 Mr. Cooke. I am not aware of that specific lab. But the
1685 National Labs in general do play a significant proving ground for
1686 some of the more advanced types of combustion technologies and
1687 they're certainly -- you know, we've heard the Co-Optima program.

1688 That was in coordination with National Labs and investment
1689 in that basic science just as in any other field, certainly, you
1690 know, plays a strong role in development of advanced technologies.

1691 Mr. McNerney. Well, you point out that fuel economy and
1692 greenhouse gas emission standards have benefited our economy, our
1693 environment, and saved consumers billions.

1694 Since these standards are working, why is the industry
1695 seeking to halt this progress and move backwards and maybe hurt
1696 itself?

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1697 Mr. Cooke. That is a very good question. I think we look
1698 -- you look at what the industry could be doing and they could
1699 be moving forward.

1700 But we also look at what the history of what they have done
1701 in the past and I think there is a little bit of a return to that
1702 mind set when you look at testimony in front of House committees
1703 over the past, you know, 35, 40 years it's -- this is par for the
1704 course. They continue -- automakers routinely say, we can't
1705 possibly hit that target and they are still standing. So --

1706 Mr. McNerney. The chairman is going to cut me off so I am
1707 going to yield back.

1708 Mr. Latta. I didn't cut you off yet.

1709 [Laughter.]

1710 Mr. Latta. The gentleman yields back. The chair now
1711 recognizes the gentleman from Michigan for five minutes.

1712 Mr. Upton. Well, thank you, Mr. Chairman. I just want to
1713 -- a lot of good questions asked on both sides. I want to bring
1714 my historical perspective into play here for a moment.

1715 I was co-chair of the Auto Caucus for a lot of years.
1716 Bipartisan caucus. We all want better fuel efficiency.
1717 Consumers want that.

1718 We have made some wonderful strides. Real kudos to the
1719 industry for where we are and, frankly, because we have gas prices
1720 -- saw prices this weekend for \$2.24 a gallon. That's a lot better
1721 than \$3.84 eight -- almost nine years ago.

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1722 And I would dare -- you know, when we worked with the industry
1723 and with the administration on getting better fuel economy
1724 standards it was never the intent of this Congress and, frankly,
1725 I didn't think it was the intent of the administration, the Obama
1726 administration, to have something that was different than one
1727 national program and we thought that that was going to be the case.
1728 I think they indicated that back in 2009 and again in 2012.

1729 And I would -- you know, Mr. Bainwol, your testimony here
1730 I think we were all surprised, based on their testimony earlier
1731 on and where they ended up, literally, as Chairman Walden said
1732 just a week before the election now, or a week before the -- you
1733 know, the end of the Obama presidency.

1734 When we worked with the industry and with the administration
1735 on establishing the time frame for mileage, we put in the provision
1736 that in 2018, years down the road, that there would be a look back
1737 -- can the industry actually make these changes at what,
1738 hopefully, would be a reasonable price for consumers?

1739 I wouldn't say it was set in to halt the progress. It was
1740 to actually measure the science, the efficiencies, and the new
1741 vehicles as to whether they would meet those.

1742 Then it was 54 miles per gallon. It was revised down a little
1743 bit so it's about 50. I am averaging here. But under the rules,
1744 I mean, Mr. Bainwol and Mr. Bozzella, I think your best answer
1745 -- is the industry -- if you didn't have that look back what will
1746 it take to actually meet 50 miles per gallon, literally in the

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1747 -- in the year, what, 2024 -- 2025? Mr. Bainwol.

1748 Mr. Bainwol. A tough question. I think the premise that
1749 we are going to halt progress is false. The only question here
1750 is the degree of the slope and we want the slope of progress to
1751 be one that's consistent with selling cars and encouraging the
1752 fleet turnover and that's really what all this boils down to.

1753 So I understand we live in a political system and rhetoric
1754 gets heated. But we are talking about getting to the Obama
1755 numbers and beyond at some point over time and the question is
1756 how do we manage this in a fashion that's consistent with
1757 marketplace realities.

1758 Mr. Bozzella. Yes, and just to add to that, I think we are
1759 making outstanding progress. There is no question about that.

1760 Mr. Upton. Yes.

1761 Mr. Bozzella. The real -- the question really is, is are
1762 we making -- are we testing the assumptions we made. For example,
1763 it's unclear to us really what types of technologies will be into
1764 the cars and trucks that people will need to buy in 2025.

1765 There is not a single gasoline-powered engine that meets
1766 those standards today. So I think we should be -- we should be
1767 honest and straightforward about the types of technology pathways
1768 we are going to see forward -- more electrification, more hybrids.

1769 And so really this is about not only making sure we get the
1770 assumptions right for innovators and investors but also that the
1771 customers recognize what the marketplace will look like and are

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1772 prepared.

1773 Mr. Upton. Mr. Bainwol, as you know, my colleague and friend
1774 from Michigan, Mrs. Dingell and I, have introduced legislation
1775 called the Fuel Economy Harmonization Act of 2017 that is designed
1776 to correct the inconsistency of having three different standards,
1777 in essence, and go back to one.

1778 What is your thoughts on that legislation?

1779 Mr. Bainwol. We think it's a terrific bill. We think that
1780 the impact of the bill is to reduce regulatory friction and by
1781 reducing regulatory friction that allows for compliance
1782 strategies that make sense and you end up reducing the cost of
1783 product, enhancing the ability of people to buy those cars and
1784 that's crucial to employment in your states. So it really is very
1785 valuable.

1786 And in terms of dollars, I was told the other day I am not
1787 sure where the data comes from. But if anywhere near the
1788 magnitude is right, a billion dollars in savings in terms of costs
1789 translates into a thousand dollars on the bonus for a guy who works
1790 on the line.

1791 So this is a multi-billion-dollar savings in terms of the
1792 regulatory friction. That means real disposable income for the
1793 workers of this industry.

1794 Mr. Upton. Thank you. I yield back.

1795 Mr. Latta. Gentleman's time has expired.

1796 The chair now recognizes the gentlelady from Michigan, Mrs.

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1797 Dingell, for five minutes.

1798 Mrs. Dingell. Thank you, Mr. Chairman.

1799 I have a lot of questions. I am going to go to my last one
1800 first because I want to follow up on my colleague from Michigan.

1801 When we are talking about -- first of all, I am an idealist.
1802 Someday we are going to bring permanent peace between Michigan
1803 and California -- that's my goal here -- because I think we all
1804 want to have a better environment.

1805 But when we talk about the assumptions that were made when
1806 these standards were, here is one example of a technology I would
1807 like to pursue. Could all of you answer this question quickly?

1808 Was it not assumed that there would be a far higher
1809 penetration in the market of electric vehicles? And people keep
1810 making this comment that the companies aren't building EVs.

1811 But is it not a fact that the consumer is not buying EVs?
1812 They don't believe that there is an infrastructure in place, and
1813 even the 13 states that have ZEV mandates that should be putting
1814 them into their fleet are not buying them. Quickly.

1815 Mr. Bainwol. So yes, yes, and yes.

1816 Mr. McConnell. You absolutely are correct.

1817 Mrs. Dingell. Dr. Cooke.

1818 Mr. Cooke. There was little penetration of electrification
1819 assumed and 42 percent in California right now electric vehicle
1820 penetration.

1821 Mr. Bozzella. But a half a point nationwide.

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1822 Mrs. Dingell. And it would. That's a part of the problem.
1823 And I've talked to Governor Brown. Do we not all -- and we are
1824 eliminating the tax credit for the EV in the tax bill and right
1825 now we are losing money on those electric vehicles.

1826 Dr. Cooke, how do we get at that?

1827 Mr. Cooke. Sorry. Say that again.

1828 Mrs. Dingell. How do we get at making the consumer want to
1829 buy that electric vehicle?

1830 Mr. Cooke. I think the fact that we are at nearly 5 percent
1831 in California shows that if you put the incentives in place you
1832 do drive --

1833 Mrs. Dingell. But the incentives are in place -- the same
1834 incentives, quite frankly, sir. The tax credit is there. The
1835 infrastructure needs to be built out. So do we have to work
1836 together?

1837 All right. I think that -- I am going to go to my other
1838 question because I think that we are -- I actually think we are
1839 more together than people are thinking. So I would like to ask
1840 Mr. Bainwol and Mr. Bozzella are the members of your trade
1841 associations committed to continued fuel economy improvements
1842 that are balanced, both technological feasibility and consumer
1843 affordability?

1844 Mr. Bainwol. Yes. So life does not end in 2025. We know
1845 that, and we are --

1846 Mrs. Dingell. Are you for post-2025 standards switch? I,

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1847 by the way, am and want to talk about it.

1848 Mr. Bainwol. That conversation has to happen, yes.

1849 Mr. Bozzella. Yes. I would agree to both points. We are
1850 committed to improving fuel economy and over the long haul.

1851 Mrs. Dingell. This question is for all witnesses and please
1852 answer yes or no.

1853 Do you believe that there is a benefit for having a single
1854 set of fuel economy standards across the country?

1855 Mr. Bainwol. Absolutely.

1856 Mr. McConnell. Yes, under NHTSA.

1857 Mrs. Dingell. Dr. Cooke.

1858 Mr. Cooke. Yes.

1859 Mrs. Dingell. No?

1860 Mr. Cooke. Yes.

1861 Mrs. Dingell. Oh, yes? Okay.

1862 Mr. Bozzella. Yes.

1863 Mrs. Dingell. And isn't what the Obama administration tried
1864 to do in 2010 and 2012 with the creation of one ONP -- having a
1865 unified approach between NHTSA, EPA, and CARB -- isn't that what
1866 they tried to do?

1867 Mr. Bainwol. It was the goal but it was broken at the end
1868 of the administration.

1869 Mrs. Dingell. Mr. McConnell.

1870 Mr. McConnell. I believe that Congress had it right the
1871 first time not to have a patchwork -- that NHTSA should be in

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1872 charge.

1873 Mrs. Dingell. Dr. Cooke.

1874 Mr. Cooke. That was the goal and is still in place.

1875 Mr. Bozzella. It was the aspiration and it hasn't been
1876 realized.

1877 Mrs. Dingell. And, in fact, EPA and NHTSA both clearly
1878 stated in their joint MPRM issued in 2012 -- I have it right here
1879 -- the need to create a unified approach so that the manufacturers
1880 could design one fleet of vehicles to comply with both programs.

1881 And isn't it true that the 2012 joint final rule had two main
1882 phases, the first being CAFE standards from model years 2017 to
1883 2021 and then separate projected standards from model years 2022
1884 to 2025?

1885 Mr. Bainwol. Yes.

1886 Mrs. Dingell. Dr. Cooke.

1887 Mr. Cooke. Yes.

1888 Mr. Bozzella. Yes.

1889 Mrs. Dingell. Okay. So it is my understanding that when
1890 the 2012 joint final rule was released that the 2022 through 2025
1891 standards were what was called augural standards -- in other
1892 words, estimated, which represent NHTSA's best estimate of what
1893 would be maximally feasible at that time. Is that correct?

1894 Mr. Bainwol. Yes.

1895 Mr. McConnell. I just represent the consumer who wants to
1896 be able to afford the vehicle.

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1897 Mrs. Dingell. Okay. Dr Cooke.

1898 Mr. Cooke. Yes.

1899 Mrs. Dingell. John.

1900 Mr. Bozzella. Yes.

1901 Mrs. Dingell. Okay. So we are going through -- right now
1902 we are going through the midterm review as we speak. Whether some
1903 of you like it or not, it's very important.

1904 We are in the early process but it's important that it play
1905 out and encourage stakeholders to engage responsibly towards a
1906 negotiated solution that continues the gains we've seen in fuel
1907 economy since 2012 takes current conditions and real-world data
1908 into account and establishes standards past 2025.

1909 People aren't talking about who's at the table. We need all
1910 the stakeholders, including California, and quite frankly, I
1911 trust Governor Brown and Mary Nichols -- you can quote me on that
1912 today -- at that table, the Trump administration, automakers, and
1913 the environmentalists -- it was California I trusted -- around
1914 the table and working productively in order to make it happen.

1915 Was that not the strength of the original agreement, all the
1916 players at the same table giving people certainty and investing
1917 for the customer? A failure to reach a negotiated solution will
1918 result in less certainty for the industry, weaker standards, and
1919 less savings at the pump for consumers. With that being
1920 said, there's still ways that we can improve our fuel economy
1921 systems while the midterm review is playing out. This is for all

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1922 the witnesses. Even though we all -- and I am out of time. I
1923 have to quit, Mr. Chairman.

1924 Mr. Latta. You are close to out of time. You going to --
1925 was that a question or are you just filibustering or what are you
1926 --

1927 Mrs. Dingell. Well, I actually had a bunch more but I will
1928 put them in the record. Thank you, sir.

1929 Mr. Latta. Without objection --

1930 Mrs. Dingell. I just looked up.

1931 Mr. Latta. The gentlelady's time is expired.

1932 Mrs. Dingell. Thank you.

1933 Mr. Latta. How fortunate we have the gentleman from Texas,
1934 who is recognized for five minutes.

1935 Mr. Olson. I thank my friend, who graduated from West Point.
1936 Congratulations one more time. The big victory Saturday -- Army
1937 again beat Navy for the second time in now 16 years.

1938 With all due respect to my friend from Michigan, I am a bigger
1939 optimist. I believe that maybe today we can have this dream --
1940 California and Texas working together as opposed to California
1941 and Michigan on these issues.

1942 Mrs. Dingell. How about all three?

1943 Mr. Olson. Pardon me?

1944 Mrs. Dingell. How about all three?

1945 Mr. Olson. All three works, too.

1946 I thank the chair and welcome our four witnesses. A special

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1947 welcome, Mr. Bainwol. We share a common bond, my friend. Rice
1948 University -- you got an MBA from Rice University, and my first
1949 question is for you, Mr. Bainwol.

1950 In your testimony you talked about how the 2012 final rule
1951 projected a very different mix of cars and trucks that we see on
1952 the road today.

1953 Any business has the same motto -- the consumer comes first.
1954 Can you talk about how consumer preferences shapes your ability
1955 to make these rules workable? How do these put the consumer
1956 first?

1957 Mr. Bainwol. So both the CAFE program and other government
1958 programs that are mandates are mandates not on what we produce
1959 but on what people buy.

1960 So, in effect, the consumer -- it's not just a phrase -- the
1961 consumer is king because they dictate the success of these
1962 programs. And when consumers don't buy what policymakers want,
1963 it's not the consumer's fault.

1964 They're expressing their own market opinions about what's
1965 right for their families. And what we've seen over time with the
1966 plummeting in the price of gas is a very different mix of purchases
1967 in the marketplace, so pickups, trucks, SUVs, crossovers, and that
1968 has made life more complicated.

1969 Now, there is something called a footprint. So the
1970 footprint accommodates some of the fleet mix but it doesn't
1971 accommodate other dimensions of the fleet mix including power

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1972 train choices.

1973 Mr. Olson. Doesn't that show the need for an adaptable
1974 responsive set of rules across the country?

1975 Mr. Bainwol. Yes, it sure does.

1976 Mr. Olson. Okay. Another question for you, Mr. Bainwol,
1977 and you, Mr. Bozzella.

1978 I would like to discuss the harmonization of rules you all
1979 work under. To what extent does the lack of harmonization between
1980 the two federal programs impact consumers and innovation?

1981 Mr. Bainwol. It's basically what I would call a government
1982 externality. The government is imposing costs on the marketplace
1983 that consumers then have to absorb.

1984 And so it is a problem. It make few people able to buy cars.
1985 It retards the process of fleet turnover and it has bad social
1986 outcomes.

1987 Mr. Olson. Mr. Bozzella, sir.

1988 Mr. Bozzella. And I would just add to that, why, if we are
1989 trying to achieve one goal, would we have different tools in
1990 different toolboxes? What that does is it creates compliance for
1991 the sake of compliance without benefits to consumers and I think
1992 we got to get back to benefits for consumers.

1993 Mr. Olson. If this is so controversial, then why did the
1994 Obama administration grant your consideration of your petition
1995 last December? Any idea why?

1996 Mr. Bainwol. Had there been a different outcome in the

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1997 election perhaps we'd be having a more rational conversation about
1998 harmonization. So I think some of this gets filtered through the
1999 lens of national politics.

2000 Mr. Bozzella. I agree with that, Congressman. You ask a
2001 great question. We are very close. We are very close. We have
2002 the same aspirations and desires and what we want to do is to create
2003 better benefits, more fuel economy, and reduced emissions for
2004 consumers and let's focus on that.

2005 Mr. Bainwol. And could I add also?

2006 Mr. Olson. Yes, sir.

2007 Mr. Bainwol. The conversation we are having today has a feel
2008 that somehow that there's a problem and what we really need to
2009 understand is we should be celebrating success. I mean, I ha that
2010 one slide that showed if you take the 2021 numbers and you add
2011 1, 2, or 3 percent, we are at 97 percent realization of fuel
2012 savings. That's pretty darn good.

2013 Now, we have -- we have invested \$100 billion a year in
2014 safety, fuel economy, technologies like AVs and we are producing
2015 dividends for the marketplace.

2016 That's a good story and we should be thankful for the success
2017 of this program. And now what we are talking about doing is
2018 finding a way to make the economics of the program -- the
2019 regulatory piece of the program more efficient so that more
2020 consumers can benefit from new cars.

2021 Mr. Olson. And, well, too, I see you guys make a great

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2022 difference. My first car was a 1977 Silverado pickup truck.
2023 Just one cab, nothing behind the seats. That truck, you could
2024 watch the gas gauge go down as you hit the gas pedal. Just boom,
2025 maybe eight miles per gallon.

2026 I now have a 19 -- sorry, 2014 Silverado crew cab -- big cab,
2027 big truck. I drove from Houston, Texas to watch my high school
2028 play in San Antonio -- a basketball game -- and drove back on one
2029 tank of gas.

2030 I would like to close, Mr. Chairman, by asking unanimous
2031 consent to enter into the record a Federal Register from
2032 Wednesday, December 20th about the proposed rule I was talking
2033 about. Department of Transportation and Safety -- NHTSA, 2016,
2034 10135.

2035 Mr. Latta. Is there objection?

2036 Hearing none, so ordered.

2037 [The information follows:]

2038

2039 *****COMMITTEE INSERT 6*****

2040 Gentleman's time has expired. The chair now recognizes the
2041 gentleman from California, Mr. Cardenas, for five minutes.

2042 Mr. Cardenas. Thank you very much. I am proud to represent
2043 California but also equally proud of the fact that California has
2044 led the way, sometimes with hiccups and fits and starts, but
2045 California has improved its emissions standards and has set the
2046 tone quite often.

2047 Let me just give you one example. There are three
2048 generations between me and my grandson now -- myself, our four
2049 children, and my grandson.

2050 I used to tease my kids that used to not be allowed to play
2051 outside sometimes -- I grew up in Los Angeles when I was a little
2052 boy -- because of the smog, and then I used to tease my kids that
2053 they never had that problem. They never had to deal with a smog
2054 alert.

2055 But yet, we have to be careful because the last thing I want
2056 is for my 18-month-old grandson, for me or his parents or his
2057 teachers to say, "You can't play outside." We have to be careful
2058 and make sure that whatever we do we preserve the environment for
2059 our children and we make sure that we -- whatever it is that we
2060 do improves on everything that we've done in the past -- the
2061 knowledge, the technology that we are capable of.

2062 So my statement is that fuel efficiency is an important goal
2063 across the board. It also -- it allows low income and middle class
2064 families to have access to cars that run economically. Less money

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2065 goes to the gas pumps and more stays in their pockets. That's
2066 a good thing. The one national program also gives low income
2067 folks access to used cars that are fuel efficient. It also
2068 impacts the air we breathe.

2069 My district and many in southern California have dealt with
2070 wildfires late in the season, last week and ongoing, as we speak.
2071 It is no coincidence that these fires are devastating our
2072 communities with greater frequency and ferocity. California has
2073 been a leader in fuel efficiency and emission standards and the
2074 nation needs to follow suit.

2075 Dr. Cooke, can you please talk a little bit about the
2076 California emission standards?

2077 Mr. Cooke. Yes. So tailpipe standards that were
2078 originally set, you know, formed the basis for federal action and,
2079 you know, the reason why we can breathe in Washington, D.C. is
2080 largely a result of the fact that California set those standards
2081 way back in the '60s and, you know, that trend has continued that,
2082 you know, with tiers -- Tier 1 standards and Tier 2 standards that
2083 were first set in California and then essentially, you know,
2084 codified by the federal agencies and that, again, happened with
2085 the LEV 3 standards that are part of the advanced cars program.

2086 So we've seen this trend over and over. But at the same time,
2087 California is still struggling to meet its air quality goals for
2088 2030. And so that's why we have the zero emission vehicle
2089 program.

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2090 Mr. Cardenas. Well, California has approximately --
2091 approaches about 40 million people. It is still, what, the fifth,
2092 sixth largest economy. It bounces around there.

2093 So the bottom line is anytime you're that large and you're
2094 that impactful, especially economically with all the issues that
2095 are going on with the population and also with the business, which
2096 is to me is a good thing -- I am very proud to be from California
2097 and the fact that we, if we were our own country, would be ranked
2098 fifth or sixth largest economy in the world.

2099 So that being the case, it is complicated but it's not
2100 impossible for us to continue to thrive and strive to be better
2101 and cleaner and more efficient and to drive the markets as well.

2102 Dr. Cooke, I would also like to see if you could respond to
2103 the idea that the former NHTSA standards with rules that --
2104 designed by Congress were preferable to the current one national
2105 program. Who does the former NHTSA standards benefit, by and
2106 large?

2107 Mr. Cooke. So the single number standard, and one of the
2108 reasons why we moved to the size-based standard was especially
2109 detrimental to the domestic manufacturers and it advantaged
2110 imported vehicles and so, you know, folks who sell more cars and
2111 less trucks.

2112 The fact that we have a size-dependent standard now helps,
2113 you know, drive investment and competitiveness of the Big Three
2114 as well as it does, you know, Honda and Toyota.

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2115 Mr. Cardenas. So if I heard you correctly, the one current
2116 one national program benefits mostly foreign vehicle makers?

2117 Mr. Cooke. No. Sorry. The former -- prior to the -- prior
2118 to the one national program attribute size-based standards.

2119 Mr. Cardenas. Okay.

2120 Mr. Cooke. You know, the old CAFE program used to benefit
2121 primarily the imported vehicles, which is why, frankly, CAFE
2122 stalled for 20 years.

2123 Mr. Cardenas. Okay. All right.

2124 Well, thank you very much and to go off of -- one of my
2125 colleagues said, again, to add a famous quote, you can't always
2126 get what you want but you can get what you need, and I think that's
2127 what -- the balance we are trying to strike here.

2128 Thank you very much. I yield back.

2129 Mr. Latta. The gentleman yields back his time.

2130 The chair recognizes the gentleman from Oklahoma, Mr.
2131 Mullin, for five minutes.

2132 Mr. Mullin. Thank you, Mr. Chairman.

2133 You know, we are talking about achieving certain fuel
2134 standards and we've kind of touched on it, kind of bounced around
2135 a little bit about it. But we are talking about the consumer
2136 benefit, too.

2137 There has to be a balance between the two, and so -- and we
2138 are trying to hit our standards that are set forth to us. When
2139 Congress had to look back in 2018, I think that was a look back

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2140 of not only seeing, hey, is it -- is it feasible for the industry
2141 to hit it but is it -- is it cost productive, too.

2142 So looking forward, what is this going to cost our consumers?
2143 If we can -- and this is open. I am really not too worried about
2144 who takes it. What is this going to cost us?

2145 I mean, we see -- we see vehicles rising each day in cost.
2146 I drive an F-250 crew cab diesel -- same vehicle I've driven for
2147 the last I guess 17 years. The exact same vehicle I bought in
2148 2000 versus today is about \$50,000 difference in price.

2149 Is that due to the regulations we are putting on us? Is that
2150 -- is that being passed on to the consumers? Mr. Cooke, do you
2151 want to take that? I see your finger on the button.

2152 Mr. Cooke. Yes, I would. I mean, I think one of the things
2153 that's really important to recognize is what's causing the
2154 increase in retail price today.

2155 You know, entry level vehicles today cost the same when
2156 adjusted for inflation as they did 10 years ago. So it's not --
2157 it's not the -- it's not the technology that's driving people out
2158 of the market.

2159 If you want to look at what's the biggest factor that's
2160 causing the increase in retail price it's the fact that now we
2161 are selling more SUVs and pickup trucks, which do have higher
2162 profit margins. So --

2163 Mr. Mullin. Well, no. No. My F-250 Lariat crew cab
2164 four-wheel drive I paid just below \$30,000 for that vehicle. So

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2165 in 17 years the inflation has increased \$50,000. I mean, that's
2166 -- we've seen that increase across with pay wages and grocery
2167 prices? All of them has inflated 100 -- what is that? Someone
2168 help me with the math there. Well over 100 percent?

2169 Mr. Cooke. So I just want to flag that I was specifically
2170 talking about the entry level vehicles. When you look at trucks
2171 and SUVs, what we've seen is a large increase in profit margin
2172 as a result of moving to higher and higher luxury trims. That's
2173 why the fact that you have, like, a \$65,000 F-150 now at the King
2174 Ranch version -- you know, those SUVs have always been higher
2175 profit margins but we've seen --

2176 Mr. Mullin. So but what I am saying is is this being passed
2177 on to the consumer. What we are seeing by fuel savings, because
2178 we are talking about keeping more money in the pocket -- I think
2179 my colleague from California said that -- if they can't afford
2180 the vehicle to begin with then what difference does it make?

2181 Mr. Boswell -- Bozzella, I am sorry.

2182 Mr. Bozzella. It's okay. Bozzella. Thank you.

2183 Mr. Mullin. Bozzella.

2184 Mr. Bozzella. The -- you're right. There is more
2185 technology in vehicles today than there ever has been. These cars
2186 are cleaner, safer, and more fuel efficient than they ever have
2187 been and, of course, there has to be some cost associated with
2188 that.

2189 The real question is not only the cost but the cost combined

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2190 with where the market ultimately needs to go and I think this is
2191 -- this is -- to your question, I think we have to be clear that
2192 we need more electric vehicles, more higher priced more expensive
2193 technologies in order to really drive the shift that we are looking
2194 for here.

2195 Mr. Mullin. Go ahead, Mr. McConnell.

2196 Mr. McConnell. Yes. You make a great point. I will say
2197 that the cars that are \$15,000 or less have been regulated out
2198 of existence. The cost is \$3,000 a car. I know Dr. Cooke is an
2199 extremely smart gentleman.

2200 But he keeps talking about what can be built. But the
2201 question is you can't save anything on fuel economy until you're
2202 able to afford to buy the car.

2203 Mr. Mullin. Agreed.

2204 Mr. McConnell. And 6.8 million people will be knocked out
2205 by a \$3,000 price increase and that's done because 90 percent of
2206 the people finance a vehicle and that takes people debt to income
2207 ratio out. It knocks them out of the new car market.

2208 We are all about fleet turnover. Until somebody buys
2209 something, and you can build whatever but as you said, a smart
2210 business has to listen to the customer and we are --

2211 Mr. Mullin. So is it reasonable then -- on what we are trying
2212 to do here is it reasonable to say that a customer is going to
2213 be able to afford it and see the cost savings -- to be able to
2214 pay the difference of what we are going to spend trying to get

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2215 to fuel standards what they're going to save on gas?

2216 Mr. McConnell. The realities of the market, though, when
2217 the -- when the price of gas goes from \$4 to close to \$2, their
2218 savings are cut in half.

2219 Mr. Mullin. Right.

2220 Mr. McConnell. So people make a decision based on what's
2221 best for them, as they should, and we are -- the National
2222 Automobile Association and dealers, we want to sell whatever the
2223 customer wants -- EV, whatever it may be. But it's the customer
2224 and that's the one thing.

2225 We are -- I am -- live my life and I know dealers -- we want
2226 higher gas mileage. But you know what? You have to listen to
2227 the customer -- what they can afford and what they want, not
2228 necessarily what Washington wants or California wants.

2229 Mr. Mullin. Right.

2230 Mr. Chairman, I yield back.

2231 Mr. Latta. Gentleman's time has expired. The chair now
2232 recognizes the gentleman from Texas, Mr. Green, for five minutes.

2233 Mr. Green. Thank you, Mr. Chairman, and you have a couple
2234 of guys from Texas and one from Oklahoma.

2235 I want to thank the chairman and ranking member for holding
2236 this hearing though. But transportation is a leading source of
2237 carbon dioxide emissions.

2238 I have a very urban district in Houston and industrial
2239 district with refineries. By the way, our gasoline over the

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2240 weekend -- the lowest price I found was \$1.99 per gallon and even
2241 with \$57 barrel of oil there's a -- there's a benefit from having
2242 a refinery down the road.

2243 But Houston is a car-dependent city. Ninety-four point four
2244 percent of all our households have a car and each household has
2245 at least 1.8 cars. My wife and I, I think, share five cars in
2246 different locations.

2247 After Hurricane Harvey hit, nearly a million cars will be
2248 replaced in the Houston metro area with analysis estimating that
2249 30 to 40 percent will be new vehicles. The standards are more
2250 important than ever when it comes to helping our air quality in
2251 Houston.

2252 One of the things I am concerned about the lower market
2253 penetration for electric vehicles anywhere except in California,
2254 and we have some in Houston. But, you know, you're not going to
2255 drive from Houston to San Antonio -- that's 199 miles -- on an
2256 electric car that may not -- you know, you have sit and let it
2257 charge up for a few hours when you get there.

2258 So Mr. Bainwol, how has the low price of gas affected
2259 purchasing habits among consumers when they come to fuel economy?

2260 Mr. Bainwol. So in a profound way -- so the average age of
2261 a car is about 11 years old and when you think about the improvement
2262 in the conventional engine, there's two factors going on.

2263 If you turn in a Camaro for a Camaro or a Civic for a Civic,
2264 whatever the case may be, over 11 years you have got about a 25

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2265 percent increase in fuel economy on average.

2266 So you have a combination of two effects. One is the
2267 improvement of engine and the second is the lower price of gas.
2268 The combination of the two has made electrification kind of a niche
2269 product and it's just an economic reality. That may change over
2270 time.

2271 But those two factors, the starkness of the improvement and
2272 the lower price of gas, combined to really impact penetration.

2273 Electrification of the fleet nationwide in 2017 is .5. If
2274 you look at the numbers of gas, in '08 it was 97.6 percent of the
2275 marketplace. In '17, it's 96.9 percent. It has moved less than
2276 a point in a decade.

2277 And what's happening with electrification is coming out of
2278 the hide of hybrids. So we are at a very, very slow uptick in
2279 terms of these alternative power trains. At some point it may
2280 take off but we are not there yet.

2281 Mr. Green. Well, people will typically vote with their
2282 pocketbook. But you're right, you're going to hear all of us have
2283 different cars.

2284 Again, I like big trucks and so in Texas I bought a Tahoe
2285 in '06. I couldn't get better than 16 miles an hour but -- miles
2286 per gallon. But the new Tahoe I bought in 2016 we are getting
2287 24 miles per gallon at certain times. And so you're right, it
2288 has increased and people are going to vote with their pocketbook
2289 and unless you can have a product that can do.

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2290 And following up, were there any models of vehicles from the
2291 same year that an equally price hybrid version of the vehicles
2292 outsold the non-hybrid version?

2293 Mr. Bainwol. I'm not fully aware of the marketplace to that
2294 degree. But there are examples where the hybrid has been priced
2295 at the same levels at a conventional engine and people still choose
2296 a conventional engine.

2297 Mr. McConnell. I can think of one particular example. The
2298 Lincoln had a hybrid and a non-hybrid priced at identical price.
2299 Customer had a choice. Seventy percent chose the non-hybrid and
2300 30 percent chose the hybrid. Same cost.

2301 Mr. Green. Well, that's still better than 5 percent
2302 penetration of electric vehicles in California and a half a point
2303 or -- for the rest of the country.

2304 Mr. Cooke, regarding the proposed legislation by
2305 Representative Upton and Representative Dingell, can we know the
2306 full effect that the legislation will have on GHG and CAFE
2307 standards while the EPA's midterm review is still not completed?
2308

2309 Mr. Cooke. No. It's difficult to say. All we know is that
2310 in the short term it sets it up for long-term failure.

2311 Mr. Green. Okay. Well, and thank you, Mr. Chairman, for
2312 the time and I guess I batted clean-up today. Thank you.

2313 Mr. Latta. I think you did. Thank you. Gentleman's time
2314 is expired.

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2315 Seeing no further members wishing to ask questions, I would
2316 like to thank all of our witnesses for being here today. Before
2317 we conclude, I would like to include the following documents to
2318 be submitted for the record by unanimous consent.

2319 We already got -- Mr. Olson's already was taken care of. We
2320 have a letter from the Motor and Equipment Manufacturers
2321 Association. I think it's been viewed by the minority and it's
2322 -- without objection, that gets accepted.

2323 [The information follows:]

2324

2325 *****INSERT 7*****

2326 Mr. Latta. Pursuant to committee rules, I remind members that
2327 they have 10 business days to submit additional questions for the
2328 record and I ask that witnesses submit their response within 10
2329 business days upon receipt of the questions.

2330 Without objection, the subcommittee is adjourned.

2331 [The prepared statement of Chairman Walden follows:]

2332

2333 *****INSERT 8*****

2334

[Whereupon, at 12:08 p.m., the subcommittee was adjourned.]