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May 2, 2006

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Minority Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Joe Barton
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
House of Representatives

Subject: *Department of Transportation, National Highway Traffic Safety
Administration: Average Fuel Economy Standards for Light Trucks Model
Years 2008-2011*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Transportation, National Highway Traffic Safety Administration (NHTSA), entitled "Average Fuel Economy Standards for Light Trucks Model Years 2008-2011" (RIN: 2127-AJ61). We received the rule on April 19, 2006. It was published in the Federal Register as a final rule on April 6, 2006. 71 Fed. Reg. 17566.

The final rule reforms the structure of the corporate average fuel economy (CAFÉ) program for light trucks and establishes higher CAFÉ standards for model years (MY) 2008-2011 for light trucks.

Enclosed is our assessment of NHTSA's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that NHTSA complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Patricia Dalton,

Managing Director, Physical Infrastructure. Ms. Dalton can be reached at (202) 512-2834.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Milton E. Cooper
Program Analyst, National Highway
Traffic Safety Administration
Department of Transportation

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF TRANSPORTATION,
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
ENTITLED
"AVERAGE FUEL ECONOMY STANDARDS FOR LIGHT TRUCKS
MODEL YEARS 2008-2011"
(RIN: 2127-AJ61)

(i) Cost-benefit analysis

NHTSA estimates that the total benefits under the Unreformed CAFÉ standards for MYs 2008-2010 and the Reformed CAFÉ standard for MY 2011 will be approximately \$7,554 million at a 7 percent discount rate and at fuel prices (based on Energy Information Administration long-term projections) ranging from \$1.96 to \$2.39 per gallon: \$577 million for MY 2008, \$1,876 million for MY 2009, \$2,109 million for MY 2010. NHTSA estimates that the total costs under those standards, as compared to the MY 2007 standard of 22.2 mpg, will be a total of \$6,440 million for MYs 2008-2011.

Under the Reformed CAFÉ standards for MYs 2008-2011, as compared to the MY 2007 standard of 22.2 mpg, NHTSA estimates the total benefits to be \$8,125 million. The total costs of \$6,711 million should be similar to the total costs under the Unreformed CAFÉ system noted above.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

As none of the entities affected by the final rule are small, NHTSA has certified that the final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The final rule contains a private sector mandate, as defined in title II, of more than \$115 million (\$100 million adjusted for inflation) in any one year. NHTSA has complied with the requirements of the Act regarding the preparation of a written statement, including information contained in its cost benefit analysis.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures found at 5 U.S.C. 553. On August 30, 2005, NHTSA published a Notice of Proposed Rulemaking in the Federal Register. 70 Fed. Reg. 51466. NHTSA received over 45,000 comments in response and the major issues raised are discussed in the preamble to the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains an information collection subject to review and approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act. NHTSA has submitted the required information to OMB including the annual burden, which amounts to 10 hours per manufacturer (mainly computer tabulation) or 140 hours total for the 14 manufacturers.

Statutory authorization for the rule

The final rule is promulgated under the authority found at 49 U.S.C. 32902.

Executive Order No. 12866

The final rule was reviewed by OMB and found to be an “economically significant” regulatory action under the order.

Executive Order No. 13132 (Federalism)

NHTSA reviewed the final rule under the order and found that it had no discretion not to issue the CAFÉ standards or to tailor a final economy standard for light trucks to avoid preemption.