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United States General Accounting Office
Washington, DC 20548

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April 28, 2003

The Honorable John McCain
Chairman
The Honorable Ernest F. Hollings
Ranking Minority Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable W. J. "Billy" Tauzin
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: Light Truck Average Fuel Economy Standards Model Years
2005-2007*

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 "Light Truck Average Fuel Economy Standards Model Years 2005-2007" (RIN: 2127-AI70). We received the rule on April 11, 2003. It was published in the Federal Register as a final rule on April 7, 2003. 68 Fed. Reg. 16868.

The final rule establishes corporate average fuel economy standards for light trucks. NHTSA is setting a standard of 21.0 miles per gallon (mpg) for model year (MY) 2005, 21.6 mpg for MY 2006, and 22.2 mpg for MY 2007.

We note the final rule has an announced effective date of May 5, 2003. The Congressional Review Act requires a 60-day delay in the effective date of a major rule from the date of publication in the Federal Register or receipt of the rule by Congress, whichever is later. 5 U.S.C. 801(a)(3)(A). The House of Representatives received the rule on April 11, 2003, and it was published in the Federal Register on April 7, 2003. Therefore, the rule does not have the required 60-day delay in its effective date for congressional review. We do note that the rule's impact will not be felt until the 2005 model year.

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, with the exception of the 60-day delay in the effective date, 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 Michael Gryszkowiec, Managing Director, Physical Infrastructure. Mr. Gryszkowiec can be reached at (202) 512-2834.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Nancy Bell
Attorney Advisor
Office of the Chief Counsel
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
"LIGHT TRUCK AVERAGE FUEL ECONOMY STANDARDS
MODEL YEARS 2005-2007"
(RIN: 2127-AI70)

(i) Cost-benefit analysis

NHTSA performed a cost-benefit analysis for the final rule that showed the following results:

Cost & Benefit Per Average Vehicle Over Its Lifetime

| <u>Model Year</u> | <u>Costs</u> | <u>Benefits</u> | <u>Net Benefits</u> |
|-------------------|--------------|-----------------|---------------------|
| 2005 | \$ 22 | \$ 29 | \$ 7 |
| 2006 | 67 | 83 | 16 |
| 2007 | 106 | 121 | 15 |

Cost & Benefit Over the Lifetime of the Fleet
(in millions of year 2000 dollars)

| | | | |
|------|-------|-------|-------|
| 2005 | \$170 | \$218 | \$ 48 |
| 2006 | 537 | 645 | 108 |
| 2007 | 862 | 955 | 93 |

NHTSA's analysis also shows that the lifetime fuel savings for model year 2005 will be 432 million gallons, 1,273 million gallons for model year 2006, and 1,892 million gallons for model year 2007.

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

Because there are no single-stage, light truck manufacturers within the United States with 1,000 or fewer employees, 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

While the final rule does not contain an intergovernmental mandate, it will result in the expenditure of more than \$100 million annually by vehicle manufacturers and/or their suppliers. NHTSA has concluded that the standards established by the final rule are the maximum feasible standards for the light-truck fleet for model years 2005-2007, based on a balancing of statutory considerations.

(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 December 16, 2002, NHTSA published a Notice of Proposed Rulemaking in the Federal Register. 67 Fed. Reg. 77015. In response, more than 65,000 comments were received.

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

The final rule does not contain any information collections that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act.

Statutory authorization for the rule

Section 32902(a) of title 49, United States Code, states that the Secretary of Transportation shall prescribe by regulation corporate average fuel economy standards for light trucks for each model year.

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 has determined that the final rule does not have federalism implications under the order.