The original documents are located in Box 4, folder "Auto Emissions (8)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 4, 1975

MEMORANDUM FOR JIM CANNON

Subject: Auto Emission Standards -- Response to Senators ~~Randolph and~~ Baker

This is in response to your request for our comments on the proposed response of the President to Senators Randolph and Baker concerning the desirability of new hearings on auto emission standards.

The Council of Economic Advisers supports "Alternative 3" as outlined in your letter and does not object to the transmittal of a Presidential response of the type presented in Tab D. One of the primary advantages to this alternative is the separation it would create between the issue of auto emission standards and the other air quality issues. Some of the provisions of a comprehensive bill could turn out to be sufficiently objectionable (e.g., the land use planning amendments) to warrant a veto. If the auto emissions question can be separated out, perhaps we can avoid having to give in to the undesirable provisions in order to gain support for the President's position on auto emission standards.

If you desire further comment by the Council, let me know.

Alan Greenspan

THE WHITE HOUSE

WASHINGTON

August 28, 1975

MEMORANDUM FOR: JIM CAVANAUGH

FROM: GLENN SCHLEEDE

SUBJECT: MORE ON AUTO EMISSIONS

Late yesterday, I received a call from Dick Grundy who is Senator Randolph's staff man who watches most closely the Muskie Subcommittee of Public Works.

He inquired as to the status of a response to the Randolph-Baker letter on auto emission hearings and then proceeded to suggest the following approach[redacted]:

- A Presidential letter reiterating his desire for hearings and suggesting that auto emissions be dealt with in a separate bill. (This really is what our draft letter proposes.)

- Prior notice by some senior White House official to Randolph and Baker of the response -- so that they are aware of it before the press.

I told him of my understanding* that Randolph would like to have a meeting with the President. He responded that he didn't think this was necessary at this point but it wouldn't create any problems if we thought it was desirable and the President had time.

He said the Committee's need is for some "help" in reaching the conclusions that:

- auto emissions should be handled in a separate bill,

- that fuel economy and economic considerations must get more attention.

cc: Pat O'Donnell

*which came from Pat O'Donnell

THE WHITE HOUSE

WASHINGTON

September 11, 1975

MEMORANDUM FOR JAMES CANNON
L. WILLIAM SEIDMAN

FROM: WILLIAM F. GOROG

SUBJECT: Meeting with Automotive Representatives on Emission Standards

This Memorandum for the Record is written regarding individual meetings which were held on the morning of September 11, with John Ford (Chrysler Corporation), Oscar Lundin (General Motors), Fred Secrest (Ford Motor Company), and John Secrest (American Motors).

The meeting was to determine the impact on the various automobile companies of various aspects of a five-year, three-year, or two-year suspension on auto standards. For purposes of clarification, a two-year suspension would extend present standards through the 1977 and 1978 model years, while a three-year suspension would include model years 1977, 1978, and 1979. While specific differences were noted in discussions with the individual manufacturers, there seemed to be general consensus as follows:

a. A two-year suspension would be of very little value. The 1977 model year design is presently committed and designs are ready for tooling for the 1978 year. All three companies indicated that if a compromise is reached, strenuous efforts should be made to achieve a three-year freeze.

b. A strong case was made by Oscar Lundin of General Motors for the proposition that current legislation should also eliminate the arbitrary mandatory standards in the act. He suggested that in the first year of a three-year freeze, a comprehensive study should jointly be conducted by a group of Government agencies, with outside consulting help, to establish the Emission Standards to be applied to the year 1980 and thereafter. This would provide an opportunity, for example, for

the FEA to participate in establishment of the standards so that environmental and energy trade-offs could be reasonably analyzed. They suggested that this might be more palatable to Congress, if the Congress had veto power over the results of the Administrative agencies. Jim Cannon points out that this does raise some Constitutional questions, and this aspect may be undesirable.

The approach seems to make good sense. The 1977 model year EPA test procedures, as required by law, are about to commence with the filing of specifications, and these require about eight months to complete. In view of the fact that the industry requires two and a half years lead to develop tests and certify new systems, the push for a three-year moratorium seems to have substantial basis.

Not considered during these discussions, is the fact that Congress is considering enactment of legislation which would mandate that the EPA establish Emission Standards for trucks and buses, similar to the general degree currently required for new automobiles. It is my understanding that these standards could be extremely costly from an energy standpoint, and the same type of study that was recommended for automobiles is needed for trucks and buses.

Accordingly, it may be well to urge freezing of current regulations for light and heavy-duty vehicles at current levels through the same three year period that we are discussing for automobiles. This should provide the same Standrads Committee to review realistic requirements for this class of vehicles.

For your information, the situation today requires meeting the following Federal standards:

- 1976 model year (September 1975 - August 1976) Federal standards are 1.5 HC, 15 CO, and 3.1 NOx.

- 1977 model year (September 1976 - August 1977) 49-State Federal standards as set by the Administrator, EPA, on March 14, 1975, are 1.5 HC, 15 CO and 2.0 NOx.

- 1978 model year (September 1977 - August 1978) and thereafter, Federal standards are .41 HC, 3.4 CO and .4 NOx.

THE WHITE HOUSE

WASHINGTON

September 29, 1975

Auto Emissions

MEMORANDUM FOR PAT O'DONNELL
CHARLES LEPPERT, JR.

FROM: WILLIAM F. GOROG WFG

SUBJECT: President's Recommendation to Suspend Emission Standards

Attached is a brief history I assembled this weekend. Chronologically, this includes:

1. A copy of the amended Bill which we submitted to the Senate and the House of Representatives.

2. Copies of letters to Staggers and Randolph requesting that hearings be held on the matter.

3. A copy of the letter to the President questioning the need for additional hearings.

4. Memorandum to Bill Seidman discussing economic impact of maintenance of the strict standards.

5. Staff briefing notes summarizing the economic impact paper.

6. Draft of a Memorandum to the President (not sent) outlining facts concerning the Rogers Sub-committee action and summarizing the impact on the auto industry if these standards were adopted. Included are statements from American Motors, General Motors and Ford, with their comment on the House Sub-committee proposal.

7. A "head count" of Senate and House Committees outlining present positions on the legislation.

I am drafting a letter from the President which can be used today. This includes a statement outlining the importance of the suspension for economic reasons, and emphasizing the need for expedited processing. The letter will also open the door for a proposal containing a compromise.

cc: L. William Seidman
James Cannon

A BILL

To amend the Clean Air Act to continue 1975-76 Federal automobile emission standards through the 1981 model year to permit a balance among the important objectives of improving air quality, protecting public health and safety, and avoiding unnecessary increases in consumer costs for automobiles, decreases in gasoline mileage, and increases in the Nation's dependence on imported oil.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

Sec. 2. The Clean Air Act, as amended, is amended as follows:

(a) Section 202(b)(1)(A) is amended to delete therefrom "1977" and insert in lieu thereof "1982."

(b) Section 202(b)(1)(A) is further amended to delete the last sentence therefrom and insert the following sentence in lieu thereof:

"The regulations under subsection (a) applicable to emissions of carbon monoxide and hydrocarbons from light-duty vehicles and engines manufactured during model years 1975 through 1981, inclusive, shall contain standards which are identical to the interim standards which were prescribed (as of December 1, 1973) under paragraph (5)(A) of this subsection for light-duty vehicles and engines manufactured during model year 1975.

(c) Section 202 (b)(1)(B) is amended to read as follows:

"The regulations under subsection (a) applicable to emission of oxides of nitrogen from light-duty vehicles and engines manufactured during model years 1975 through 1981 inclusive shall contain standards which are identical to the standards prescribed (as of December 1, 1973) under subsection (a) for light-duty vehicles and engines manufactured during model year 1975. The regulations under subsection (a) applicable to oxides of nitrogen from light-duty vehicles and engines manufactured during or after model year 1982 shall be established at such level as the Administrator determines is appropriate considering air quality, energy efficiency, availability of technology, cost, and other relevant factors. The Administrator shall publish for public comment no later than July 1, 1977, proposed standards for 1982 model year light-duty vehicles and engines and his tentative conclusions with respect to the matters he is required to consider under this paragraph and shall publish his final standards and his findings no later than July 1, 1978. Such standards may be revised after appropriate notice following such date based upon substantial changes in any of the factors the Administrator is required to consider under this paragraph.

THE WHITE HOUSE

WASHINGTON

2

Dear Mr. Chairman:

On June 27th, I transmitted to the Congress a special message which described the conclusions from a detailed executive branch review of the air quality, health, energy, and consumer cost implications of alternative automobile emission standards. I recommended that 1975-76 standards for automobile emissions be extended by the Congress through model year 1981.

I believe it important that the Congress and the public have a full opportunity to hear in detail the findings of our studies and the basis for my conclusions that existing standards should be continued. I recognize that the hearings held by your subcommittee on auto emissions ended before our studies were completed. I urge you to hold another hearing on this matter so Administration witnesses can present the findings.

Sincerely,

The Honorable Harley O. Staggers
Chairman
Interstate and Foreign Commerce Committee
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

On June 27th, I transmitted to the Congress a special message which described the conclusions from a detailed executive branch review of the air quality, health, energy, and consumer cost implications of alternative automobile emission standards. I recommended that 1975-76 standards for automobile emissions be extended by the Congress through model year 1981.

I believe it important that the Congress and the public have a full opportunity to hear in detail the findings of our studies and the basis for my conclusions that existing standards should be continued. I recognize that the hearings held by your subcommittee on auto emissions ended before our studies were completed. I urge you to hold another hearing on this matter so Administration witnesses can present the findings.

Sincerely,

The Honorable Jennings Randolph
Chairman
Public Works Committee
United States Senate
Washington, D.C. 20510

States Senate

9, 1975

Honorable Gerald R. Ford
The President
The White House

Dear Mr. President:

We have discussed your July 26, 1975 request for a hearing on automobile emissions with the Members of the Committee on Public Works. There is agreement that a hearing could be held if you desire it. We believe, however, that there is certain information which you should have before you.

If such a hearing is held, undoubtedly private and public groups would also desire to be heard on the information presented. We would be constrained to honor those requests. Such a situation would entail postponing further Committee consideration of other issues involved in the Clean Air Act. It had been our hope to begin Full Committee consideration of the Clean Air Act during the week of September 8 so that during that week and the following week, we could develop and report the legislation for Senate consideration.

By reason of service on the Budget Committee, Senator Muskie, Chairman of the Subcommittee, Senator Buckley, the Ranking Minority Member and Senator McClure and Senator Domenici, two important participants in the consideration of Clean Air Act Amendments, will be required to address themselves to the Second Budget Resolution which must be considered by the Congress by mid-October. If the hearings you request are held, it is a reasonable certainty that the Public Works Committee could not conclude its deliberations on the Clean Air Act until late October or early November. This delay, would, we suggest, cause severe problems for those who are regulated by the Act, including the automobile industry.

Mr. President, if you have further counsel to give us in this matter, we shall be pleased to receive it.

Truly,

Howard H. Baker, Jr.
Ranking Minority Member

Jennings Randolph
Chairman

THE WHITE HOUSE

WASHINGTON

July 17, 1975

4

MEMORANDUM

TO: L. WILLIAM SEIDMAN

FROM: WILLIAM F. GOROG

SUBJECT: President's Recommendation to Suspend Emission Standards

This Memorandum has been prepared to examine the economic impact of the President's recommendation to suspend auto/truck emission standards for five years.

I feel it extremely important that we do not try to argue the President's position on the largely unproven and unquantifiable question of how much clean air is needed. Likewise, we do not have to rely solely on the argument that the technology to meet the 1978 standards is not now available. I do think that we can supplement the arguments made to date with the economic aspects of this decision. There is, of course, the problem of being drawn into a public posture of matching dollars against health, but if done carefully, I believe we can decouple the two sides of the question.

The economic argument we hear most frequently is the additional incremental costs to the consumer of the 1978 Standard equipment. However, this represents only a part of the additional costs to both the economy and the individual consumer. We need to examine also the effect of diverting the manufacturer's capital funds to meet these objectives, the impact of the additional costs and consumer confusion on sales, the additional operating costs from lower engine efficiencies, and the lost opportunity for lower operating costs.

Since this is a rather complex subject, I am simply going to summarize our data about the economic impact of some of these considerations. The simplest presentation is the direct costs of the Standards to the consumer.

Consumer Costs

Direct Equipment Costs - Although the technology to achieve the higher standards does not now exist, the industry has estimated that the equipment alone will cost somewhere between $150 to $340 per vehicle, with the higher figure being more likely. This would mean in a ten-million car year the additional costs to consumers would be $1.5 to $3.4 billion per year.

Maintenance Costs - The industry has made estimates based upon current experience of maintenance of existing emission control equipment, and extrapolating to include the unproven technology that would be involved in meeting the 1978 Standards, it expects maintenance part costs of $70 and maintenance labor costs of seven hours over five years. At the current contract rate of $13 per hour, this adds up to about $161 over this period.

Operating Costs - The industry estimates that the 1978 standards would result in a fuel economy loss of between 10% and 20%. Assuming that the average automobile is driven 15,000 miles per year, and currently averages 14 miles per gallon, consumption would increase anywhere from 110 to 220 gallons per year with the 1978 standard equipment. With gasoline prices currently projected at the 70¢ a gallon rate for 1978, this represents an additional cost of operation of between $77 and $154 per year. This would be between $375 and $770 over the estimated five year life of a vehicle.

Opportunity Costs (potential consumer savings)- The other side of the consumer cost coin is the savings that the consumer would be losing under the 1978 Standards. If we assume that the

manufacturers could take the capital funds required for engineering research, design, and production of equipment of the Standards equipment (estimated to be $1 billion) and apply that instead to gaining fuel economy, an operating cost savings to the consumer would be generated. The industry has pledged that given the necessary funds, they are capable of improving fuel economy by 40%.

Applying the same assumptions used to calculate the additional operating costs above, we could achieve an estimated savings per vehicle of $1,250 per vehicle over the useful life of the vehicle.

Macro Economic Impact

While not subject to precise measurement, we can expect that this action will cause a ripple effect on the whole economy.

One of the major effects would be upon employment in the auto industry. With higher purchase prices and higher operating costs, it is reasonable to expect a drop in automobile sales, at least in the near term. (Using the Chase Econometric Model for automotive volume price relationships and Wassily Leontief's sales/employment model, it has been estimated that the adverse employment effect for the industry, including industry-related employment, would be somewhere between 57,000 and 228,000 jobs)

An additional economic cost would take the form of an increase in the WPI (both in the form of higher operating costs as well as direct sales costs) which, as more wages are index-tied, would send out an inflationary ripple.

A further consideration arises from the fact that the additional economic costs accrue independently of the size or purchase price of the vehicle. This implies that the additional costs will affect all purchasers irrespective of income and thus will fall proportionally heavier on those with low incomes than on those in higher income brackets.

While it would not be possible to undertake a complete cost/benefit analysis without a great deal of data regarding the costs of whatever additional pollution was created by suspending the Standards, the analysis would be, in my estimation, not very useful because:

1. There is no clear evidence that the tighter standards would achieve any measurable reduction in pollution. Thus, with a zero denominator, such an analysis would be meaningless.

2. If the question is posed in terms of the nation's health, there is no measure which can adequately translate such a criteria into dollars.

Finally, the suspension actions must be measured in terms of its impact on the nation's energy program. Should the higher fuel economies be met, this would mean that an additional 3/4 to 1 billion gallons of gasoline per production year would not be consumed.

Summary

To millions of consumers the additional economic costs will be significant. The difference between the estimated additional costs generated by the enforcement of the Standards over an average five-year vehicle life is significant; between $686 and $1,271. When this is put against the potential operating cost savings of $1,250, that may be generated by suspending the Standards, the real cost to consumers is even more significant.

It is important that Administration spokesmen emphasize the economic impact of the decision. Forcing compliance will strip industry of capital needed to retool for more efficient engines, will cost the consumer directly in added equipment costs, and will continue to be inflationary due to higher operating costs.

July 18, 1975

STAFF BRIEFING NOTES

EMISSIONS STANDARDS SUSPENSION ISSUE

5

* Extremely important that we do not argue President's position on the unproven and unquantifiable question of how much clean air is needed

  - o Nor should we rely on argument that technology to meet 1978 Standards is unavailable

* Should stress the important economic consequences of imposing emissions Standards

  - o There are real and identifiable costs beyond the added costs to purchase price

* Summary of consumer costs:

  - o Direct equipment costs, by industry estimates, will range from $150-$340/car; in a 10 MM car year, additional consumer costs total $1.5B - $3.4B per year.

  - o Maintenance costs for emissions upkeep will average $161 over each five-year car life

  - o Operating costs will increase due to reduced fuel efficiency of 10-20%; assuming average car travels 15,000 miles/year at 14 mpg, 1978 Standards would result in consumption increases of 110-220 gallons/year; with gas at a 70¢ rate as projected for 1978, yearly costs increase by $77 to $154; five-year figures - $375 to $770

  - o Opportunity costs from lost fuel savings result from auto industry's reallocation of capital funds away from fuel efficiency area into emission Standards work; capital shift for such is estimated at $1B; given industry pledge to improve fuel economy by 40% by 1980, lost fuel savings due to emissions Standards are estimated to be $1,250/vehicle over five-year life.

* We can expect substantial macroeconomic impact from Standards imposition.

  - o Chase volume -price model and Leontief sales-employment model project a drop in sales in the near term, and concomitant drop in industry and industry-related employment of 57,000 to 228,000 jobs

  - o Additional effect would stem from a WPI increase due to higher operating and sales costs, inflationary ripple effect would appear, as more wages are index-related

  - o Consumer costs accrue independent of size or purchase price; all purchasers pay additional costs regardless of income, hence, the cost burden would be regressive

* Cost/benefit analysis is valueless because no additional benefit from Standards is evidenced, yielding a zero denominator; and health question cannot be translated into dollars

  - o Meeting higher fuel economy goals would mean a savings of 3/4 to 1B gallons of gas per year

* Difference between net cost and potential savings is substantial (costs over five-year vehicle life of $686-$1271 vs. possible savings of $1,250 over five-year life)

* Forced emissions compliance would do the following:

  - o Strip industry of capital needed for fuel efficiency work

  - o Cost the consumer in added equipment costs

  - o Continue to be inflationary due to higher operating costs

THE WHITE HOUSE

WASHINGTON

DRAFT

September 26, 1975 NOT SENT

6

MEMORANDUM FOR THE PRESIDENT

FROM: L. William Seidman

SUBJECT: Status of Automotive Emission Standards Legislation

The House Subcommittee has adopted a two-year suspension of the 1978 standards but has attached some interim improved performance requirements. These are as follows:

	Emissions in Grams Per Mile		
	HC	CO	NO_x
Current Models	1.5	15.0	3.1
House Subcommittee			
For 1978-79 Models	.9	9.0	2.0
For 1980-81 Models	.41	3.4	.4
For 1982-83 Models	.41	3.4	.4

According to company data, the standards adopted by the Rogers' Subcommittee for the 1977-1985 model years would have the following impacts:

1. Fuel economy penalties for 1977 in order to meet the 2.0 grams per mile NO_x standard would range from 5 to 10 percent.

2. In the 1978-1979 model years, when the HC and CO standards would be tightened to current California levels, the fuel penalty associated with meeting those standards would average 10 percent.

3. The statutory standards proposed by the Rogers' Subcommittee for the 1980-1985 model years cannot now be met on a production line basis. Automotive manufacturers have testified that at this time they do not now have the technology to meet those levels of standards. Best effort experimental systems thus far developed indicate a fuel economy penalty of from 5 to 30 percent at statutory emission control standards.

4. The authority provided to the EPA Administrator to grant one-year suspensions of the NO_x standard under the Rogers' Subcommittee proposal does not provide manufacturers with sufficient stability for designing and engineering emission control systems. The suspension flexibility given to the EPA Administrator under the Rogers' Subcommittee proposal would only allow a suspension of the NO_x standard to 1.5 gpm in 1980-1981 and 1.0 gpm in 1982-1984. These potential NO_x suspension levels are so stringent as to preclude the development of many alternative emission control systems.

It is our intent to work closely with Legislative Affairs personnel to have these standards revised by the Full Committee and by the Senate.

SUMMARY OF IMPACT OF AUTOMOTIVE EMISSION STANDARDS ADOPTED BY THE HOUSE SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT

According to company data, the standards adopted by the Rogers' Subcommittee for the 1977-1985 model years would have the following impacts:

1. Fuel economy penalties for 1977 in order to meet the 2.0 grams per mile NOx standard would range from 5 to 10 percent.

2. In the 1978-1979 model years, when the HC and CO standards would be tightened to current California levels, the fuel penalty associated with meeting those standards would average 10 percent.

3. The statutory standards proposed by the Rogers' Subcommittee for the 1980-1985 model years cannot now be met on a production line basis. Automotive manufacturers have testified that at this time they do not now have the technology to meet those levels of standards. Best effort experimental systems thus far developed indicate a fuel economy penalty of from 5 to 30 percent at statutory emission control standards.

4. The authority provided to the EPA Administrator to grant one-year suspensions of the NOx standard under the Rogers' Subcommittee propsal does not provide manufacturers with sufficient stability for designing and engineering emission control systems. The suspension flexibility given to the EPA Administrator under the Rogers' Subcommittee proposal would only allow a suspension of the NOx standard to 1.5 gpm in 1980-1981 and 1.0 gpm in 1982-1984. These potential NOx suspension levels are so stringent as to preclude the development of many alternative emission control systems.

American Motors Statement on the Proposal For Amending the Clean Air Act as Approved By the House Subcommittee on Public Health and Environment

American Motors does not support the Hastings proposal for amending the Clean Air Act as approved by the House Subcommittee on Public Health and Environment September 23, 1975, for the following reasons:

1. Resultant adverse affect on vehicle cost, fuel efficiency and performance in the 1977 model year.

2. Proposed standards for model years 1978 and 1979 would have a severe effect on the factors covered in No. 1, above plus posing the threat of drastically curtailed product offerings in these years which could result in serious dislocations in the automobile market with prospects of serious economic hardship for AMC.

3. At this time technology is not available for assured compliance with the statutory standards for model years 1980 and beyond. The provisions for yearly Administrative exemptions from the NOx requirement is not an orderly manner for developing such technology.

It is recommended that current standards of 1.5 - 15. - 3.1 - be carried over for a minimum of three years (1977, 78, 79). In the interim, an Interagency Task Force or Review Panel should be appointed to determine at what levels standards should be set for 1980 and beyond, taking into account the needs as supported by facts, the effects on vehicle cost and fuel efficiency, the effects on employment and the national economy.

General Motors Statement on
the Proposal For Amending
the Clean Air Act as Approved
By the House Subcommittee on
Public Health and Environment

The standards adopted by the Subcommittee on Health and the Environment for years 1977 and subsequent model years would have extremely adverse effects on fuel economy, on attempts to hold down the cost of new cars and the auto companies efforts to achieve orderly progress in emissions control.

The fuel economy penalties would begin as early as the 1977 model years. Our data show a five to ten percent penalty in fuel economy in systems designed to meet the 2.0 grams per miles Nox standard as compared to the current Federal standard of 3.1 grams per mile. These fuel economy penalties would be increased in 1978 model year when the industry would be required to meet standards currently being met in California. Our data show a 10 percent average penalty associated with those standards.

Beginning with the 1980 model year, auto manufacturers would be required to meet the statutory standards of .41/3.4/.4. At this time, to our knowledge, no auto manufacturer has the technology to meet that level of standards. Our best effort experimental systems designed to meet those standards demonstrate fuel economy penalties ranging from five percent to more than 30 percent.

The provisions in the Subcommittee bill giving the EPA Administrator authority to grant one year suspensions of the Nox standard does not provide sufficient flexibility. The 1.5 and 1.0 gram per mile maximum Nox standards provided in the bill for the years beyond 1980 are so stringent as to preclude many emission control approaches.

The Rogers Subcommittee bill which provides more stringent standards each model year forces the manufacturers to aim at a moving target. It does not provide sufficient stability for an orderly program of designing and engineering emission control systems but it virtually assures counterproductive "crash" programs to achieve those goals.

Furthermore, the "moving target" approach and the setting up of standards beyond the levels of existing technology virtually assures that the systems developed will be extremly costly to consumers.

FORD COMMENTS ON ROGERS SUBCOMMITTEE STANDARDS

Ford Motor Company opposes the standards set forth in a decision by the Rogers Subcommittee on September 23 because:

1. The .9/9.0/2.0 standards for 1978 and 1979 will look us into a technology (1) that will aggravate the sulfate problem if it is proved to be serious and (2) may not be technologically feasible under a sulfate standard which will be set in 1978 or 1979.

- In Q&A at the EPA/FEA press conference on 1976 automotive fuel economy, Mr. Train stated that EPA tests had shown no difference in sulfate emissions from catalyst and non-catalyst vehicles but reported that a significant increase in sulfate emissions resulted from the addition of air pumps to catalyst vehicles. Air pumps are currently required at standards of .9/9.0/2.0; EPA is not expected to determine the level of seriousness of the sulfate problem and set a sulfate standard until at least 1978 model year (most likely 1979). We don't think the technology is available to meet both a stringent sulfate standard and standard of .9/9.0/2.0.

- EPA recommended to Congress standards of 1.5/15/2.0 for 1978 and 1979 for precisely this reason.

2. Going to statutory standards in 1980 will require the use of new technology, possibly prematurely.

- It is anticipated that the sulfate standard would make the use of air pumps with oxidation catalysts impossible and therefore emission standards lower than .9/9.0/2.0 would not be feasible until some new technology such as 3-way catalysts is available.

- EPA has been reluctant to take regulatory action that would force 3-way catalyst usage until there is more known about the unique pollutants from these systems. EPA has further suggested that a 1.5/15/2.0 carry-over is needed in 1979 to allow at least one year to assess the technology needed for a sulfate standard before even going to .9/9.0/2.0

3. We have every reason to believe that the .4 NOx -- which this proposal would retain -- will prove not to be required. Therefore there would be tremendous effort expended on systems which are less than optimum in terms of fuel economy and cost-effectiveness; and which may introduce technology prematurely.

- All Company planning would have to be done toward the statutory levels. We could not plan on a year-by-year suspension basis.

- Statutory NOx will preclude promising alternate engine technologies such as CVCC.

In general, the proposal does not give us the opportunity to expend maximum effort toward the President's fuel economy goal; is likely to result in expenditures on systems that are less than optimum and possibly premature; and does nothing to relieve the statutory NOx problem which continues to be an impediment to new technologies.

9/26/75

SENATE PUBLIC WORKS

	Strict Standards	Modified	5 year freeze
Jennings Randolph		X*	
Edmund S. Muskie	X		
Joseph M. Montoya		X*	
Mike Gravel		X*	
Lloyd M. Bentsen, Jr.		X*	
Quentin N. Burdick		X*	
John C. Culver	X		
Robert Morgan		X*	
Gary W. Hart	X		
Howard H. Baker, Jr.		X*	
James L. Buckley		X*	
Robert T. Stafford		X*	
James A. McClure		X	X
Pete V. Domenici		X*	

* maybe 3 year

HOUSE INTERSTATE AND FOREIGN COMMERCE COMMITTEE

	Strict Standards	Modified	5 year freeze
Harley O. Staggers		X*	
Torbert H. Macdonald	X		
John D. Dingell		X	
Paul G. Rogers		X	
Lionel Van Deerlin		X	
Fred B. Rooney		X*	
John M. Murphy	X		
David E. Satterfield III			X
Brock Adams	X		
W. S. Stuckey, Jr.		X*	
Bob Eckhardt	X		
Richardson Preyer		X	
James W. Symington		X*	
Charles J. Carney		X	
Ralph H. Metcalfe	X		
Goodloe E. Byron			X
James H. Scheuer	X		
Richard L. Ottinger	X		
Henry A. Waxman	X		
Robert Krueger		X*	
Timothy E. Wirth	X		
Philip R. Sharp	X		
William M. Brodhead		X*	
W. G. (Bill) Hefner			X
James J. Florio	X	X	

	Strict Standards	Modified	5 year freeze
Toby Moffett	X		
Jim Santini		X	
Maquire	X		
Samuel L.Devine			X
James T. Broyhill			X
Tim Lee Carter			X
Clarence J. Brown			X
Joe Skubitz			X
James F. Hastings		X	
James M. Collins			X
Louis Frey, Jr.			X
John Y. McCollister		X*	
Norman F. Lent			X
H. John Heinz III		X	
Edward R. Madigan			X
Carlos J. Moorhead			X
Matthew J. Rinaldo			X

* Maybe 3 year

THE WHITE HOUSE

WASHINGTON

October 2, 1975

MEMORANDUM FOR: DON RUMSFELD

FROM: JIM CANNON

SUBJECT: Auto Emissions

Rog Morton is out of town until October 11. Bill Seidman and I will take this up with Undersecretary Jim Baker pending Rog's return.

THE WHITE HOUSE

WASHINGTON

October 10, 1975

MEMORANDUM FOR: BILL GOROG

FROM: JIM CANNON

Some ~~time ago,~~ Senator Bellmon proposed that tests on auto emissions be made at the Bartlesville Energy Re~~search Center~~ in Oklahoma.

Would you give me your evaluation of this proposal?

Attachment

THE WHITE HOUSE

WASHINGTON

September 2, 1975

MEMORANDUM FOR JIM CANNON

FROM: MIKE DUVAL

SUBJECT: BARTLESVILLE CENTER, OKLAHOMA

In a recent memorandum, Senator Bellmon raises a question about the Bartlesville Energy Research Center.

The Senator urges us to utilize this Center, and not the National Science Foundation, to develop data concerning automobile emission standards. In point of fact, the Domestic Council has not commissioned the National Science Foundation to study auto emission standards; they did so on their own and, of course, we strongly disagree with the results of their effort.

I am advised by ERDA that their activities at Bartlesville are relatively modest. They have a very small program, funded at the levels of $150,000 for FY '75 and $200,000 for FY '76. Bartlesville is studying various methanol water blends and synthetic fuel development. They are studying auto emission issues, but on a very small basis.

I'm advised that ERDA is considering increasing its funding for Bartlesville, but that no decision has been made thus far.

THE WHITE HOUSE

WASHINGTON

April 23, 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT

THROUGH: L. WILLIAM SEIDMAN
JAMES CANNON
FRANK ZARB

FROM: WILLIAM F. GOROG

SUBJECT: Clean Air Amendments

The Senate Committee on Public Works recently reported S. 3219, including the Clean Air Amendments, of 1976. Action by the full Senate will begin on May 4. The House version of the Clean Air Amendments, H. R. 10498, is expected to reach the House floor in mid-May. This Memorandum outlines options regarding your response to these Amendments.

BACKGROUND

1. Auto Emmissions:

In a message to the Congress on June 27, 1975, you asked that the Clean Air Act of 1970 be amended to extend the current automobile emission standards from 1977 to 1981. This position in part reflected the fact that auto emissions for the 1976 model autos have been reduced by 83% compared with uncontrolled pre-1968 emission levels (with the exception of NOx), and that further reductions would be increasingly expensive to obtain. Both Chambers of the Congress have held extensive hearings on this matter, and the respective Committees on each side have reported Bills that include far more stringent emissions standards than you requested. The present law, without amendment, would establish standards beginning in 1978 that are even more stringent than those contained in the Senate or House Bills.

For comparative purposes, your recommended position and the Senate and House positions are outlined as follows:

	Administration			Senate Bill			House Bill		
	HC	CO	NO_x						
	(units=grams/mile)								
1977	1.5	15.0	3.1	1.5	15.0	2.0	1.5	15.0	2.0
1978	1.5	15.0	3.1	1.5	15.0	2.0	1.5	15.0	2.0
1979	1.5	15.0	3.1	.41	3.4	2.0*	1.5	15.0	2.0
1980	1.5	15.0	3.1	.41	3.4	1.0	.41	3.4	2.0
1981	1.5	15.0	3.1	.41	3.4	1.0	.41	3.4	.4-2.0 waiver

(* 1.0 for 10% of light duty vehicles produced)

Congressman John Dingell will offer less stringent auto emissions standards by amendment on the House Floor. The same position narrowly failed on a vote in Committee. The Dingell Amendment, which reflects the position of Russell Train at the conclusion of EPA's March 1975 Auto Emissions Suspension Hearings, is as follows:

	HC	CO	NO_x
	(units=grams/mile)		
1977	1.5	15.0	2.0
1978	1.5	15.0	2.0
1979	1.5	15.0	2.0
1980	.9	9.0	2.0
1981	.9	9.0	2.0
1982	.41	3.4	Administratively established

A recent interagency report by DOT, FEA, and EPA estimated increased total lifetime cost per vehicle ranging as high as $540 and fuel economy losses ranging as high as 3.78 billion gallons, per model year fleet, resulting from imposition of the current House Bill rather than the Dingell Amendment. Health and air quality benefits from the Bill's provisions are limited. The same report also demostrated that the original Administration position would result in additional savings in total lifetime cost per vehicle ranging as high as $283, and in fuel economy saving ranging a high as 4.31 billion gallons, per model year fleet. Health and air quality losses were measurable, but small.

2. Significant Deterioration/BACT:

Both Bills contain provisions to deal with prevention of significant deterioration of air quality due to new stationary sources. This is in response to a District Court finding upheld by the Circuit Court of Appeals and the U. S. Supreme Court, which stated that significant deterioration of air quality in any region was contrary to the language of the 1967 Air Quality

Act to "protect and enhance" air quality. EPA promulgated regulations, in light of the Court decision, which would allow the States to designate areas as one of three classes:

Class I - maintains pristine areas in their present condition;

Class II - allows moderate growth with controlled emissions;

Class III - allows air quality deterioration up to levels of existing ambient standards.

Due to energy and economic considerations, you asked the Congress to remove the requirements that EPA act to prevent significant deterioration. Both Bills are more restrictive than EPA's regulations. The Senate Bill would require the States to designate all areas as either Class I or Class II, eliminating Class III entirely. The Bill would also mandate the use of best available control technology (BACT) for all new major emitting facilities. The assumption is that given the constraints of the significant deterioration clause, maximum economic growth can be gained only if all new facilities use BACT.

There are concerns over the impact of this amendment on future economic development, and over its close relationship to land use planning. As an example, Interior is concerned that the Bill would have an adverse impact on new surface mining operations; furthermore, industries in every sector are concerned that the impact may be such as to impose serious constraints on capital expansion and job creation. While the significant deterioration section of the House Bill does allow for Class III areas, its BACT provisions are more stringent than those of the Senate Bill.

Senator Frank Moss has offered an amendment on the Senate side to submit the significant deterioration and BACT questions to a one year study by an Air Quality Commission to be established by the Bill. During that period, the EPA regulations would remain in effect.

Strategy considerations would suggest that attempts to provide for less stringent auto standards should be made on the House side. Similarly, progress towards gaining a less restrictive significant deterioration clause may best be made on the Senate side.

OPTIONS

Issue #1 - Should you meet with Minority Senate Committee leadership to discuss these issues prior to making your decisions?

EPA recommends that you defer making decisions on the above issues until you have had an opportunity to discuss the questions with Senator Howard Baker and the other Minority Members (Buckley, Domenici, Stafford, McClure). Senator Baker feels that they have battled hard to bring the Senate version of the Bill to its present state from a more stringent position.

Option A: Meet prior to making your decisions.

Option B: Meet after making your decisions to ask for their support.

Recommendation: Approve Option A

Concur: Domestic Council, EPA ✓

Dissent: ERDA

Decision: Option A ____

Option B ____

Issue #2 - How should the Administration confront the auto emissions problem?

Option A: Maintain present advocacy of a five-year freeze.

Pros:
- o Results in greater fuel savings relative to other proposals.
- o Results in least additional consumer costs.

Cons:
- o Is unlikely to be given serious, if any, consideration by the Congress. Our strongest advocate, Dingell, is unwilling to offer this Amendment.

Option B: Shift to backing of the Dingell Amendment.

Pros:
- o Allows Administration to ally with Dingell in order to seek a suitable compromise.
- o Recommended by motor vehicle manufacturers.
- o Achieves almost same air quality level as House Bill, at much less cost

Cons:
- o Necessitates a change of the current Administration position.
- o Increases fuel penalty and total lifetime cost per vehicle.

Bill should see in decision memo

Recommendation: Approve Option B

Concur: EPA, Treasury, Commerce, ERDA

Dissent: CEA (prefers A, but accepts B), OMB, Domestic Council

Decision: Option A _____

Option B ✓

Issue #3 - What should the Administration's position be with respect to significant deterioration/BACT?

Option A: Adhere to the Administration's original position that the Clean Air Act should be amended by deleting the significant deterioration provision.

Pros:
- o Prevent severe restrictions on industrial growth and minimizes energy penalty.
- o States already have authority to establish and implement stricter air quality standards if they wish.
- o The utility and coal industries strongly support this position.
- o Allow States and local communities to decide trade-offs between resource development and air quality.

Cons:
- o Congressional trends thus far make changes of passage questionable.
- o Environmental groups are strongly opposed to this position.

Bill - Not sure in a memo to the President

Option B: Support the Moss Amendment that refers the entire significant deterioration/BACT issue to a study commission. (A period longer than one year is desirable.)

Pros:
- o Defers action in this area until major unresolved questions concerning energy, economics, and health are adequately studied.
- o Senate trends appear to support this option.
- o Prevents industry and utilities from being penalized by overly stringent regulations until complete weighing of cost/benefits is completed.

Cons:
- o Continued uncertainty regarding this issue may further delay necessary domestic energy developments.
- o Postpones the final decision on this matter.
- o States may be reluctant to reclassify areas under EPA regulations during study period.

Option C: Support the Senate bill if change is made to allow for Class III as defined in EPA Regulations, i.e., giving States the option to allow for continued growth of industry and increased emittent levels as long as ambient levels are not raised above present ambient health and welfare standard levels.

Pros:
- o Give States more control over industrial development.
- o Ameliorates restrictions imposed at the Federal level on industrial growth.
- o Removes uncertainty.

Cons:
- o Stands little chance of passage; was defeated in Committee.

Recommendation: Approve Option [illegible] with flexibility to move to Option __ if necessary.

Concur:

Dissent:

Decision:

Option A Domestic Council favors, but B may be necessary

Option B _____

Option C _____

Corollary Issues:

Issue #4 - How should the Administration deal with the Production Line Test/Selective Enforcement Audit provisions?

EPA proposed on December 31, 1974 to impose on auto manufacturers an end-of-assembly line test requirement, titled Selective Enforcement Audit (SEA), to be performed at random. These tests would be performed in addition to considerable tests already being performed. Manufacturers' audit figures indicate existing compliance in the range of 95% for NOx to 99% for HC. Certification and audit costs under existing requirements are considerable. Authorization for SEA action is contained in the 1970 Clean Air Act. The Senate amendments would require the EPA Administrator to "establish a test procedure" for production line testing within six months of the time the Bill becomes law. OMB opposes any requirement for production line testing; the industry concurs, pending cost/benefit studies.

Option A: Delete production line test provisions by amendment, and instruct EPA not to authorize Selective Enforcement Audits.

Option B: No action.

Recommendation: Approve Option A. ✓

Concur: OMB, Domestic Council, ERDA

Dissent:

Decision:

Option A _____

Option B _____

Issue #5 - How should the Adminstration deal with Transportation Control Planning Agency (TCPA) provisions?

The Senate Bill requires areawide planning agencies modeled after areawide agencies established by the Federal Water Pollution Control Act. OMB opposes establishing new agency structures on the grounds that 1) they would duplicate the activities of other existing agencies receiving Federal funds from DOT and EPA, 2) they would receive 100 percent Federal reimbursement, and 3) they would involve a shift

of effective responsibility from State and municipal governments to the various Council of Governements.

EPA points out that while the Bill would rarely require new agency structures, it would lead to duplicate funding. EPA agrees that the level of the proposed authorization is a problem.

Option A: Delete Transportation Control Planning Agency provisions totally by amendment.

Option B: Support TCPA, but eliminate funding authorization by amendment.

Option C: No action.

Recommendation: Approve Option

Concur:

Dissent:

Decision: Option A ✓ Dominick Connell

Option B _____

ADDITIONAL CONSIDERATIONS

As this issue develops, you may be faced with a Bill that is acceptable on the auto emissions side and unacceptable regarding significant deterioration or vice versa. For this reason, possible veto strategy must be carefully developed. It is suggested that we withold consideration of veto strategy until we can determine more clearly what provisions will be contained in House and Senate versions. We also need to determine if there is any possibility of splitting the auto emissions section for consideration as separate legislation.

Dear Jim:

As you know, we have just promulgated the Selective Enforcement Audit (SEA) regulations which provide for limited assembly-line testing of motor vehicles as part of our total mobile source emission control program. I share the concern that I understand OMB has over the potential for unnecessary and duplicative resources being committed in the future to the total vehicle testing program within EPA, and I want to assure you that we will take specific steps to prevent such a problem from arising.

At present, we run what I feel is a "bare-bones" certification testing program. We have absorbed recent increases in the volume of testing -- for both emissions and fuel economy (which is now statutorily mandated as well) -- with very limited personnel increases. I do not anticipate significant future growth in this area. The SEA program will require very little EPA testing manpower since most of the testing is to be done by the manufacturers.

Nonetheless, to ensure that any possible future expansion in either of these two complementary and mutually reinforcing test programs is considered in a fully integrated fashion, and to ensure that potential economies are realized in the two present programs, I have directed a

thorough study of proper program balance and appropriate managerial and organizational alternatives for my consideration. This study would build on a study of the total mobile source program that we are already planning to conduct. We will keep your staff informed as we proceed.

In addition, once the SEA program is underway and experience has been gained, we will review the total mobile source testing needs to assure the most effective level and mix of total program efforts. We would initiate that review 18 months from commencement of this program or January 1, 1977.

Sincerely yours,

Russell E. Train
Administrator

Honorable James Lynn
Director, Office of Management and Budget
252 Executive Office Building
Washington, D. C. 20503