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[March 1975]

File

DRAFT STATEMENT FOR RON NESSON

One subject which came up at the Cabinet Meeting yesterday which I did not mention because it is highly technical and I wanted to be fully briefed on it, was the catalytic converter.

Russell Train, Chairman of the Environmental Protection Agency, reported to the Cabinet on the legislative background which set the ~~standards~~ <sup>standards</sup> which prompted some automobile companies to use catalytic converters to meet auto emission standards. Train provided the Cabinet Members with background on his decision, because he has the responsibility to be independent on this decision to maintain existing standards.



The President pointed out this is an important lesson for all in government and that it shows what can happen when the ultimate full cost of an important decision is not known, and the American consumer pays a very high price for such decisions which are made by Congress and the Executive Branch.

The President has asked for a full review of the facts and implications involved. He has asked the Energy Resourc Council, Economic Policy Board and the Domestic Council to undertake a review immediately and report back to him within 10 days.



One subject which came up at the Cabinet Meeting yesterday which I did not mention because it is highly technical and I wanted to be fully briefed on it, was the catalytic converter.

Russell Train, Chairman of the Environmental Protection Agency, reported to the Cabinet that the catalytic muffler was selected by the majority of the automobile industry as the most reasonable technical way to meet the legislated air quality standards. After an enormous investment in the catalytic system and installation on most 1975 models, EPA and other Federal agencies have documented a serious health hazard which I am sure all of you are familiar with. The catalytic muffler produces a sulfuric acid mist which may have very adverse health implications.

As a result, Train announced his decisions on the catalytic converter last week which may result in legislative and EPA action ~~ultimately~~ <sup>ultimately</sup> banning the type of catalytic converter in use today.

The President pointed out this is an important lesson for all in government and that it shows what can happen when the ultimate full cost of an important decision is not known, and the American consumer pays a very high price for such regulatory decisions which are made by Congress and the Executive Branch.

The President has asked for a full review of the facts and implications of the EPA announcement on the public health, economic ~~input~~ <sup>IMPACT</sup> on <sup>THE</sup> consumer, and on <sup>OVER</sup> energy <sup>PROGRAM.</sup> progress. He has asked the Energy Resource Council, Economic Policy Board, and the Domestic Council to undertake a review immediately and report back to him within 10 days.

THE WHITE HOUSE  
WASHINGTON

March 4, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM : JIM CANNON *JC*  
SUBJECT : Catalytic Converters



Here is a copy of the background paper for the President before his meeting with Russ Train.

Attachment

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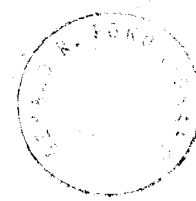
THE WHITE HOUSE

WASHINGTON

March 3, 1975

MEETING WITH RUSSELL TRAIN

Monday, March 3, 1975  
3:30 p.m. (30 minutes)  
Oval Office



Through: Jim Cannon  
From: Mike Duval

*D*

I. PURPOSE

At Russ Train's request, provide him an opportunity to tell you of the announcement that he plans to make on Wednesday concerning:

- his decision to extend or not extend 1975-76 auto emission standards to 1977 model cars. This is a regulatory decision authorized under 1974 amendments to the Clean Air Act.
- his recommendations for legislative changes with respect to emission standards for 1978-81 model cars. This is a policy decision.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: A copy of the decision paper and memorandum from Jim Lynn which were sent to you on Saturday are enclosed at Tab A.

Russ Train has been unwilling to discuss his decisions with anyone on your staff. Briefly, he contends that the regulatory decision is his alone to make and that the policy decision on standards beyond 1977 is based on the same facts and thus is inextricably tied with the regulatory decision. Our best guess at this point, based largely on press reports, is that he will (a) extend 1975-76 standards to 1977, (b) announce a major effort to study the sulfate issue, and (c) recommend standards for 1978-81 at some level near the California standards.

Resolving the sulfate issue may require a change in your energy related decision to recommend the modified California standards.

B. Participants:

Russ Train  
Jim Lynn  
Jim Cannon  
Alan Greenspan  
Frank Zarb

Staff: Mike Duval

C. Press Plan: No press coverage. Meeting will be announced.

III. TALKING POINTS

- . We strongly recommend that you simply hear Train out concerning his one year extension decision (which is regulatory) and that you do not endorse at this time his legislative recommendations on the 1978-81 standards. (We believe this approach is essential because members of the press and others already know his conclusions. You may want to get additional information on the health dangers which arise from the sulphuric acid mist which is produced from the catalytic muffler.)
- . Concerning the 1978-81 standards and sulfate issue, we recommend that you ask Cannon, Lynn and Zarb to review the EPA position in coordination with other interested agencies. They should report to you by Tuesday of next week so that you can decide on an Administration position prior to Congressional Hearings which may start around the middle of March.
- . If Train asks you how he should answer a question at his Wednesday press conference concerning your views on his decision, we recommend:
  1. You state that the one year extension is a regulatory decision and he has obviously made up his mind on his own.
  2. Your mind is open on the sulfate and 1978-81 standards issues. You will decide on an Administration position after you receive the report from Cannon, Lynn and Zarb.

DECISION

THE WHITE HOUSE

WASHINGTON

March 1, 1975

MEMORANDUM FOR: THE PRESIDENT  
THROUGH: JIM CAVANAUGH  
FROM: MIKE DUVAL  
SUBJECT: TRAIN'S AUTO EMISSION ANNOUNCEMENT

Next Wednesday Russ Train will announce his regulatory decision on the one year extension of emission standards and EPA's recommendation to Congress for the standards from 1977 through 1981. See attached memorandum from Jim Lynn covering the substance of this issue (TAB A).

While Train has refused to discuss his position on these issues with White House or OMB staff, EPA officials have fully briefed (not for attribution) selected members of the press. This is reflected in the attached Los Angeles Times article which appeared Friday (TAB B) and I understand other reporters have been given even more detailed briefings for their use early next week.

Train has apparently decided to delay for one year imposition the strict 1977 statutory standards. He will also present Congress with specific recommendations to back off the statutory standards through 1981 and he will peg this decision on the sulfate problem. The catalytic muffler emits sulfuric acid. He will announce a major study to determine how to improve the catalytic system or develop alternative technologies to prevent the creation of sulfuric acid.

If our understanding of the Train decision is accurate, he may be making a proper decision considering the options available to him. Imposing the California standards which you proposed as a part of your energy plan would require use of catalytic mufflers that emit twice as much sulfuric



acid as the catalyst that is used to meet the 1975-76 standards applicable outside California which Train can (and apparently will) extend to 1977. Furthermore, the emergence of the sulfate issue as well as the continued disagreement over both facts and judgments as to the best balance among fuel economy, automobile cost, air quality and public health objectives justifies reconsideration of your position.

It is my understanding that Train has asked to meet with you on Tuesday to inform you of the announcement that he will make on Wednesday.

I do not believe you or your staff should change the substance of Train's announcement even though it apparently will go beyond the 1977 regulatory decision that he must make. First, some of the press has already been informed fully of the EPA decision and any change will be attributed to the White House. Second, we would at this late date be forced to rely on the EPA data concerning sulfates and your options for considering data from outside EPA should be left open. Third, Train has tied the regulatory decision for 1977 and the longer range policy issue so closely together that a review of his position on the longer range issue could be perceived as an attempt to influence his regulatory decision.

#### Alternatives, Recommendation, and Decision

- ☐ 1. Meet with Train per his request. This may result in press speculation (with help from the EPA staff) that you have endorsed Train's recommendations.
- ☐ 2. Have Train meet jointly with you and your staff (Zarb, Lynn, Domestic Council, etc.).
- ☐ 3. Have Train meet with your staff.
- ☐ 4. Avoid any meeting with Train prior to his Wednesday announcement. Direct your staff to prepare immediately a decision paper for you on the entire auto emissions standards issue.

I recommend alternative 4.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

INFORMATION

MAR 1 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Pending EPA Announcement on Auto Emission Standards  
(An Energy Independence Act Item)

ISSUE: Russ Train will announce the emission standards for 1977 model year cars by Wednesday, March 5. This is a regulatory decision. On March 5, Russ also plans to announce his recommendations for auto emission limitations for the five model years 1977 thru 1981. This is a policy recommendation he was asked to make by the Energy Resources Council.

Russ has indicated that he plans to discuss his decisions with you before making his announcement but neither he nor his staff have indicated what decisions are likely. He should not engage in off the record discussion with anyone on his planned regulatory decision before it is made. However, Russ also states that he should not discuss his recommendation in respect to five-year auto emissions levels with other agencies prior to making a public announcement. He argues that the two issues cannot be separated since both decisions are in part affected by the same considerations.

This memorandum:

- Summarizes recent information which shows that cars equipped with catalytic converters could pose a serious threat to public health.
- Concludes that your objective of improving automobile fuel economy by 40% is at least jeopardized, if not impossible, if catalytic converters are not used on automobiles, and the California Standards are maintained.



BACKGROUND: In return for automobile manufacturers' commitment to increase fuel economy 40 percent by 1980, you proposed in your Energy Independence Act nationwide adoption of the current "California" emission standards by hydrocarbons and carbon monoxide in 1977. Auto emission standards by model year are displayed in the last page of the attachment.

EPA held public hearings on the 1977 regulatory decision and alternative emission levels for 1977-81 model years. Information gathered during the hearings highlighted a major potential health problem -- that automobiles equipped with catalytic converters emit sulfuric acid mist. Since catalysts improve fuel economy by allowing the removal of pollution control equipment from engines, their discontinuance will result in a near term drop in auto fuel economy and the 40 percent improvement in fuel economy by 1980 will be jeopardized.

Train's policy conclusion on five-year emission levels may not agree with the legislative position you have taken on auto emission standards for 1977 thru 1981.

INTERAGENCY REVIEW: In response to this emerging problem, OMB conducted an interagency review of this problem based on EPA's public hearing record and other published data. The results of this review are summarized in the following. Additional information is provided in the attachment.

#### Areas of Agreement:

There is unanimous scientific agreement that emissions of sulfuric acid mist are detrimental to public health, resulting in increased deaths, aggravation of asthma, heart disease, lung disease, eye irritations and discomforts.

There is also agreement that the adoption of the California standards nationwide will force the manufacturers to employ the type of catalyst currently used in California, and that these emit nearly twice as much sulfuric acid as the ones used to meet the 1975 Federal interim standards under current law.

Areas of Disagreement: The areas of disagreement lie in the concentration levels needed to pose a health problem and the number of years before concentrations reach that level.

The data summarized in the attachment shows that under worst conditions and using "California" catalysts, serious health problems could occur in 1977. With current catalysts, serious health problems could occur between 1979 and 1981 depending on weather. However, there is strong disagreement on the probability that problems will actually occur on those dates because of scarcity of data and because of other assumptions used to derive them.

Dr. Ted Cooper, Acting Assistant Secretary for Health in HEW, has written to Train and stated, "I am obligated to observe that these catalytic systems pose a significant public health hazard and that the hazard substantially outweighs the potential health benefits based on the projected control of hydrocarbons, nitrogen oxides and carbon monoxide by the catalytic system."

FEA and Commerce staff believe that it is necessary to study the issue further (about two more model years) before significant action can be taken.

DOT staff believe from continued reductions in CO through the use of the catalyst will continue to outweigh risks associated with emissions of sulfuric acid.

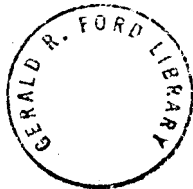
EPA staff monitored the interagency review but reserved their advice for the Administrator's decision process. - Therefore EPA staff views, as well as the conclusion of the Administrator, are unknown at this time.

Options: In the short run (pre-1980), there are several options available to significantly reduce emissions of sulfuric acid, but all have serious drawbacks (see attachment). Primarily the options are:

- . to re-blend gasoline to achieve low sulfur content
- . to force refiners to remove the sulfur from gasoline at the refinery stage
- . to retain the 1975 interim standards
- . to ban the use of catalysts

The re-blending of gasoline will impose a large allocation problem on refiners, and desulfurization will impose heavy capital requirements at the expense of expanding domestic refining capacity. The retention of the 1975 standards will postpone the problem, but only for a couple of years and require a change in proposed legislation. A ban on catalysts would increase fuel consumption by 10% over the next few years and undermine several billions of dollars invested by the auto industry.

In the long run (1980-1985), the development of engines which do not require a catalytic converter is probable, if incentives are given to the manufacturers to drop the catalyst as a control technology.



## ATTACHMENT

### Background

Gasoline contains sulfur which, after combustion, is released as sulfur dioxide. In the process of removing other pollutants, the catalytic converter changes some of the sulfur dioxide into sulfuric acid mist. The system generally used to meet the 1975 interim national standards produces less sulfuric acid than the system generally used to meet the more stringent 1975 California emission standards, since the system used to meet the California standards utilizes more oxygen. There are several non-catalyst technologies which meet either set of emission standards but produce no sulfuric acid. However, there is limited production potential for using these non-catalytic systems by the 1977 model year, and the companies are very reluctant to commit themselves to such technologies until uncertainties about the NOx standard are resolved.

### Scope of Problem

The data presented in the table below represent the best estimates that can be made based upon available information. There is no agreement on the probability that problems will actually occur in a specific year because of uncertainties in the data.

<u>Standard</u>	<u>Model Year <sup>1/</sup> in which Sulfuric Acid could pose a serious health problem</u>	
	<u>Average Meteorological Conditions</u>	<u>Adverse Meteorological Conditions <sup>2/</sup></u>
1975 Interim Standards	1981	1979
1975 California Standards		
In 49 States	1979	1977
In California <sup>3/</sup>	1978	1977



- 
- <sup>1/</sup> The data also assume that there are no emissions of sulfates from stationary sources, and that 70 percent and 90 percent of the fleet in 1975 and 1976 respectively will utilize catalysts.
- <sup>2/</sup> Adverse meteorological conditions would occur in large metropolitan areas on an average of 6-7 days a year.
- <sup>3/</sup> The dates for reaching a critical problem are earlier in California than the remaining 49 States because California utilizes higher sulfur gasoline.

## Options

The following short-term actions are available to minimize the sulfate problem:

1. Gasoline Blending -- Catalyst equipped vehicles could be provided with lead-free and low-sulfur fuel, which would reduce emissions of sulfuric acid. However, both EPA and the refiners have indicated that this could not be done in sufficient quantities to meet the needs of all catalyst equipped vehicles beyond 1977 or 1978. EPA is exploring this option with FEA.
2. Desulfurization of Oil -- Though technically possible at this time, this process would require a capital investment of \$2 to \$4 billion at a time when refiners are attempting to expand domestic capacity. It would also create an increase in the price of gasoline by 1 to 2 cents per gallon and impose an increase in crude oil consumption due to additional refining by .5 percent.
3. Retention of the 1975 National Interim Standards -- A retention of the 1975 Interim Standards would allow the continued use of the catalytic system employed on 1975 cars and would produce 50 percent less sulfuric acid than cars meeting the California standards. However, as an increasingly larger number of cars become equipped with catalysts, even remaining at the 1975 Interim Standards will eventually create a threat to public health unless other corrective actions are taken.
4. Prohibit the Catalyst -- EPA could prohibit the catalyst based upon health concerns. This could increase fuel consumption for the next 2 to 4 years by 10 percent if the 1975 Interim Standards are to be met with a non-catalytic technology.
5. Take No Action -- This would leave the decision to the Congress. They are committed to addressing the relationship between auto emissions and fuel economy in the current session. If they choose to adopt your proposed emission standards, or continue the implementation of the standards currently set forth in the Clean Air Act, then they may be counting on the use of new technologies after 1980 to solve the sulfuric acid problem, particularly if the statutory NOx limit is relaxed.

In the long run, the most promising methods for eliminating sulfuric acid emission from automobiles are the use of engines which meet emission standards without the use of a catalyst (e.g., the lean-burn or stratified charge engines) or fuel desulfurization. The broad utilization of non-catalytic systems for mass production could be achieved between 1980 and 1985, if incentives (such as relaxing the NOx standard or setting a sulfate emission limit for 1980) are given to the manufacturers to drop the catalyst as a control technology.

#### Auto Emission Standards

Clean Air Act amendments signed in June 1974, set auto emission standards for 1976 model year cars and authorized the EPA Administrator to extend those levels for one additional model year (1977) or to set some level between those authorized for 1976 and the statutory levels for 1977.

In December, the Energy Resources Council recommended and you approved an Administration position calling for standards of .9 (hydrocarbons), 9.0 (carbon monoxide), and 3.1 (nitrogen oxides) for model years 1977-81 -- as part of an agreement with major auto makers that they achieve a 40 percent increase in average fuel economy by the model year.

#### Auto Emission Standards (Grams per mile)

	<u>HC</u>	<u>CO</u>	<u>NO</u>
1975 (Interim) & 1976	1.5	15.0	3.1
1977 statutory	.41	3.4	2.0
1975 California	.9	9.0	2.0
1977-81 Administration Recommendation (Energy Independence Act)	.9	9.0	3.1



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TAB B



LOS ANGELES TIMES

Friday Morning, February 28, 1975

# Auto Makers to Be Given Year's Delay on Emissions

BY DAN FISHER

Times Auto Writer



Russell Train, administrator of the U.S. Environmental Protection Agency, will announce Monday that he will grant auto makers an additional year to meet antismog standards now scheduled to go into effect on 1977 model cars, it was learned Thursday.

He will also, either then or at congressional hearings within the next three weeks, endorse legislation to slow down the existing schedule for even more stringent auto emission standards during the following several years, according to sources close to

Ultimately, it is Congress which must act on any longer-range (1978 and beyond) changes in auto emission standards. But Train's recommendations are expected to carry considerable weight with liberal congressmen who might not be so moved by Mr.

Ford's proposals.

Train's decisions could also put Gov. Brown's Administration in the position of either contradicting EPA's assessment of the health situation or ordering the first rollback of California's

urging that he endorse regulations even less stringent than the current California requirements.

"It's a tough decision with enormous implications," one high ranking agency official said.

A major question involves the catalytic converters which the auto industry uses on most 1975 model cars sold nationally and on all cars sold in California. The catalysts cause those cars to emit more sulfates than they otherwise would.

Some EPA researchers contend

76 EPA

RUSS TRAIN'S ANNOUNCEMENTS ON AUTO EMISSION  
ST ANDARDS ( 2PM, Wednesday, March 5)



Question

*is expected to*  
Russ Train ~~has~~ announced his decisions and recommendations to Congress on auto emission standards which amount to significant delays in current requirements. We understand that he met with the President on this subject on Monday. Do these delays in effect reflect what the President told Mr. Train to do?

Answer

*EPA* *his decision*  
Mr. Train asked for a meeting with the President on Monday for the purpose of informing the President of announcement on auto emission standards that Mr. Train planned to make on Wednesday. ~~The request was granted.~~ During the meeting, Mr. Train informed the President of the decisions that he had made and ~~would announce concerning:~~ *today*

- . Auto emission standards for 1977 model cars which he is authorized to set under 1974 amendments to the Clean Air Act. This is a regulatory decision.
- . Auto emission standards that he recommends for 1978-81 model year cars. This is a policy recommendation and, to become effective, would require Congressional action to amend the clean Air Act.

~~Mr. Train merely informed the President of his decisions. He did not ask for approval of his decisions and, certainly, no attempt was made to influence either his regulatory decision or his legislative recommendations.~~

Follow-up Question


Mr. Train's decisions on emission standards for 1977 and 1978-81 are different from those recommended by the President to the Congress in his proposed Energy Independence Act. Do they replace the President's recommendations to Congress?

Answer

*Based on EPA's public hearings and work*  
Not necessarily. The decisions and legislative recommendations announced by Mr. Train were not reviewed or discussed with other agencies that have an interest in ~~that~~ matter prior to Mr. Train's decisions and announcement. The President has indicated that he would like to have the views of other agencies before he decides how he might modify his legislative proposal.

ALL OTHER QUESTIONS ON MEANING OR IMPLICATION OF TRAIN'S DECISIONS SHOULD BE REFERRED TO EPA.

## TALKING POINTS - CABINET MEETING DISCUSSION ON THE CATALYTIC CONVERTER

- 
- I think that the most important lesson for all of us, from the experience we have had with the catalytic converter, is that we should exercise far greater care when we propose legislation and take regulatory and Executive action. It is obvious that the American public will pay a very high price for the decisions made by the Congress and by the Executive Branch concerning these automobile pollution regulations. I think it is fair to say that if we had known the full cost which ultimately will flow from these actions prior to making the regulatory decisions which locked us onto this course, the specific legislation and regulatory action might have been very different.
  - I have a very basic philosophy concerning my approach to these kinds of regulatory actions and to legislation which sets them in motion. It can be summed up by the phrase: "Truth in Government." By this, I mean that we should level with the American people and tell them the true price of government actions and who's going to pay for it. This is the principle that I followed with my Fiscal 1976 Budget and in my State of the Union Address and subsequent legislation. I believe in laying out the true costs of my actions. For example, the price tag of my energy proposals is right out there for everyone to see. It's \$30 billion a year and this will result in a one-time 2% increase in the CPI. Contrast this clearly-defined price tag with the Democrats' so-called Pastore-Wright plan. Although my energy and economic advisers think that the total price tag of their plan will equal or exceed mine, this will show up in hidden costs which will ultimately result from quotas and allocation and further government intrusion into the marketplace. In short, while their proposal is politically attractive because it doesn't appear that anyone will have to pay the bill, I don't think government decisions should be made this way. I think the people should know the true cost of the programs proposed here in Washington and, importantly, who's going to pay the bill and when.
  - I have taken some steps myself to implement this "Truth in Government" philosophy. In addition to the State of the Union and Budget Messages, I have signed an Executive Order requiring that an Inflation Impact Statement be prepared for every government action under my control. If an honest Inflation Impact Statement had been done when the initial decisions were made concerning the catalytic converter, I suspect we would not be faced with the problem confronting us today. Of course, it's not just the environmental regulations which raise this issue. There are literally thousands of examples, but I recall specifically the problem we had with the truck brake regulation issued by the Department of Transportation before you, Bill (Coleman), came on board. I had to make a decision on

New Year's Eve out in Vail to let that regulation go forward because we were so far down the road that, to hold it up would have imposed economic hardship on the industries which had geared up to implement the Federal rule. As a result, we are increasing the cost of trucks and trailers 5-7% and, I now understand, this regulation may force many little companies out of business. I have no doubt that many of the energy regulations create the same kind of dislocations.

The point here is that each one of you must control the actions of your departments and agencies to insure that the full cost of every proposal and regulatory action you take is laid out clearly. I think it is also important that this be done in time so that a real choice can be made between going forward or not. Too often, the economic consequences of the regulation only come to light so late in the process that there really isn't any opportunity to pull back. The pressures to go forward come from the legislation itself, from law suits which have been brought by proponents on one side or the other, from industry who will be benefitted or hurt by the proposed rule and, often from within the agency itself when the Federal officials in charge of implementation become advocates for one course of action or another.

As each of you makes the day-to-day regulatory and policy decisions, I want you to think through very carefully the impact of those decisions a year from now, five years from now, ten years from now. Think through what will happen if those policies and programs are to be implemented by some future administration which might not be as conscious as we are of preserving the freedom of individual choice and the market mechanism. One discipline that should assist you is to ask three questions each time you face an important governmental decision:

1. What is the problem -- specifically -- that I am being asked to solve?
2. Does the proposed solution in fact solve the problem?
3. What additional problems will this government "solution" create? It is this last step that we so very often fail to take.

Of course, concerning the catalytic converter, we need to make a decision concerning my proposed legislation which is now pending before Congress recommending that we adopt a modified California standard. I submitted this legislation because it was part of the compromise worked out whereby the automobile manufacturers could achieve a 40% increase in auto efficiency by 1979, without a large increase in the cost of cars and with reasonable environmental standards still intact.



It is clear from the decisions and conclusions reached by Russ Train, that we must reconsider my legislative proposal. We can't dillydally around on this one because I want the Congress to move quickly on my entire energy plan, but now one part of it may no longer be valid. Accordingly, I want to be able to review my decision on the long-range automobile pollution standards and submit new legislation, if necessary, prior to the Easter recess. I understand that Frank Zarb and Russ Train already have studies underway and that they are coordinating this with the Department of Transportation. I'd like the Domestic Council to follow up on this so that I can have the views of all the interested agencies and departments and final recommendations very quickly.





THE WHITE HOUSE

WASHINGTON

March 19, 1975

TO: ~~JIM~~ CANNON JIM CAVANAUGH  
DICK DUNHAM MIKE DUVAL

FROM: Glenn Schleede

SUBJECT: Auto Emissions - Fuel Economy - Catalyst



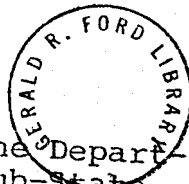
This is just to give you an update on activities that are underway or being planned by others on the auto emission issue:

1. OMB held its first interagency meeting yesterday with the objective of developing a new Administration legislative proposal on auto emissions. Agenda at Tab A.
  - Agencies represented included EPA, FEA, HEW, Commerce, Treasury, DOT, CEQ and Science Adviser.
  - Papers are due by the next meeting (April 1) which look at the problem from four viewpoints: air quality, health, fuel economy and economic impact.
  - This effort is the best thing going at present to try to bring out the data needed for an intelligent decision. Problems with it are:
    - . Agency representatives are somewhat skeptical of its legitimacy. There has been no formal communication to the heads of the agencies. The meeting was merely called by an OMB staffer after Jim Lynn okayed the idea.
    - . It's a part time activity for the agency staff people involved. The group will have to rely for balance only on two OMB staffers and one part-timer from the Science Adviser's office.
2. EPA Assistant Administrator Strelow, FEA's Sant and DOT Assistant Secretary Stoney decided yesterday to call public hearings to get additional fuel economy data from the auto companies. Further checking indicates that: (a) no hearings have been set, (b) FEA and DOT are proceeding with "technical meetings" with all the auto companies today and tomorrow to get fuel economy information (assuming alternative emissions standards and the possibility of a 1979 sulfate standard). The plan is to have public hearings later to get any new information on the record. This FEA-DOT effort is now supposed to feed into the OMB effort as well as to the Zarb effort discussed below.



3. Frank Zarb supposedly is committed to having a meeting with auto companies within ten days of the last Cabinet meeting to try to come up with a new fuel economy agreement. This is an unrealistic target since there can't be a fuel economy agreement independent of a position of emission standards. Whether Zarb agrees with this is unclear.

TALKING POINTS - MEETING WITH SECRETARY COLEMAN



- DOT Regulatory and Administrative Philosophy. The Department exercises tremendous power over State and sub-State governments, as well as the private sector.

EXAMPLE: EPA's catalytic converter

Many of DOT's regulations impose tremendous costs on consumers and can have major impacts on the profitability of businesses.

EXAMPLE: DOT's truck anti-skid brake regulations will raise the cost of trucks and trailers 5-7%. (This is under review in coordination with the Council on Wage and Price Stability, but the rule was adopted on January 1. The Domestic Council staff is monitoring the review.)

I have attempted to do something about this problem, government-wide, by requiring an Inflation Impact Statement be prepared before any Federal regulation is issued. I am quite serious about this, and I want the analysis to be honest and done in time so that we can make a decision not to go forward if the economic costs outweigh the benefits.

Another area in which your Department directly affects the lives of countless people concerns the decisions which you are required by statute to make concerning whether to go forward with various public works projects. This ranges from approval of highways and bridge replacement to the building of airports and transit systems.

I believe that we need to strike a far better balance between various national objectives, including developing energy facilities and other job-producing activities, versus our desire to protect the environment. Although many of the environmental laws which passed in the early '70s contain goals and objectives which I strongly endorse, I think the deck has become stacked against the forces for progress and development. It is far easier to stop a project than to build it.

COMMENT: We recommend that you do not specifically refer to I-66 in your discussion of the growth/no-growth issue.

- Bankruptcies. One of the major problems that your Department faces is the bankruptcy and pending bankruptcy of several major transportation companies. I understand you are reviewing the progress of the United States Railway Association and its Preliminary System Plan to provide

rail service in the 17 States of the Northeast and Midwest. The saga of the Penn Central bankruptcy is providing an excellent example of what happens when government neglect and over-regulation forces a major industry out of business. There is no doubt that the Federal taxpayer is going to pay a heavy price.

We have received, here at the White House, over 300 calls requesting financial assistance for the Rock Island Railroad, which I understand has just filed for bankruptcy. I support your position of declining to support direct Federal financial help but offering to work with the ICC and others to continue to provide rail service and do everything else possible to aid the employees of the company.

That same kind of sensitivity will be needed as we continue to work on the problems of Pan American and other airlines that are in trouble. I want to be certain that we show sympathy and compassion for the owners and employees of these companies in financial difficulty, but at the same time, do everything possible to limit Federal financial exposure except in the most extreme cases.

• Legislation. On Monday, I transmitted to the Congress the aviation legislation, which is a good package. I appreciate your memo on this subject and the compromises you were able to work out with the Congress.

I understand that the Rail Transportation Improvement Act will be ready for transmission, probably by Friday of this week. This is the first piece of my overall program to seek fundamental reform of the regulatory practices which govern the economics of the entire transportation industry. I hope you will move quickly on other legislative proposals concerning motor carriers and aviation.

The Highway bill is also nearly ready for submission. The Governors I have recently conferred with are anxious to support our proposal of allowing the States to pick up 1¢ of the gas tax. However, the proposal to extend the Trust Fund only for the Interstate System will be very controversial. You will need to work closely with Bob Jones and Bill Harsha on the House Public Works Committee and Jennings Randolph and Howard Baker in the Senate.

Concerning mass transit, I know that there will be pressure for new legislation, especially in light of the energy problem. I worked very hard in the closing days of the 93rd Congress to get the Mass Transit Act passed. That Act will provide \$11.8 billion over the next six years for mass



transit, and this represents a major increase in Federal funding. I do not believe we need more funds but, rather, that Act must be administered vigorously, but carefully, by your Department. We must not get into another situation like the Washington Metro system which results in massive overruns and a commitment of more taxpayer dollars to one city than we possibly can afford.

EXAMPLE: Metro was originally expected to cost \$2.3 billion and the current estimate is \$4.5 billion to complete the entire system.



THE WHITE HOUSE

WASHINGTON

April 3, 1975



MEMORANDUM FOR: Jim Cannon

FROM: Dick Dunham  
Jim Cavanaugh

SUBJECT: Possible Approach for Dealing with  
Auto Emission-Fuel Economy Legislation

The intent of Glenn Schleede's proposal appears to have been generated by the Senate Public Works Committee staff. I suspect that their motives are to delay resolution of the issue for a year or two.

It is our recommendation that, since one of the elements of the decision relating to the catalytic converter has been resolved and there are several pending studies, including OMB's study and Dr. Marks' study, we do not encourage the Senate Public Works staff people at this stage. Therefore, we recommend that you disapprove Glenn Schleede's recommendation.

*Dick and Jim*

*I agree with your  
recommendation.*

*Please inform Duke  
and Glen.*

*Thank  
Jim*

DOMESTIC COUNCIL CLEARANCE SHEET

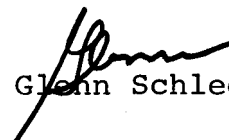
DATE: April 2, 1975

JMC action required by: Before leaving  
for Calif.

TO: JIM CANNON

VIA: DICK DUNHAM \_\_\_\_\_

JIM CAVANAUGH \_\_\_\_\_

FROM:  Glenn Schleede



SUBJECT: Possible Approach for dealing with auto  
emission-fuel economy legislation

COMMENTS:

I discussed this with Mike Duval by phone. He supports the idea of continuing the discussions with Barry Meyer and specifically supports my proposals to (a) review this with Jack Marsh's staff as soon as possible, and ~~(b) have me meet as soon as possible with Barry Meyer,~~ Bill Kendall or Pat O'Donnell and Public Works Committee minority staffer Bailey Guard. I'd like to set that up for Tomorrow or Friday.

RETURN TO:

Material has been:

\_\_\_\_\_ Signed and forwarded

\_\_\_\_\_ Changed and signed (copy attached)

\_\_\_\_\_ Returned per our conversation

\_\_\_\_\_ Noted

\_\_\_\_\_

\_\_\_\_\_  
Jim Cannon

THE WHITE HOUSE

WASHINGTON

April 2, 1975

MEMORANDUM FOR:

JIM CANNON

FROM:

 CLEMENT SCHLEEDE

SUBJECT:

Possible Approach for Dealing with  
Auto Emission and Fuel Economy  
Legislation

Last night, a good acquaintance of mine (Dick Grundy) who works for Senate Public Works Committee Chairman Jennings Randolph put forth informally (on behalf of Committee Counsel Barry Meyer) the outlines of a possible plan for Administration-Senate Public Works Committee cooperation that would lead to legislation by early August on the auto emission-fuel economy issue. I believe the plan approach has enough merit to warrant further exploration -- along the lines outlined below.

This memorandum is to:

- Describe the situation on the hill as seen by Grundy.
- Outline the basic approach he and Meyer are suggesting.
- Bring you up to date on the status of executive branch deliberations and schedule on auto emissions.
- Suggest next steps for your consideration.

If we are to pursue the approach, we would have to proceed quickly.

The Congressional Situation

- . Timing for Congressional Action. Contrary to earlier assessments, the committees responsible for the Clean Air Act (House Commerce, Senate Public Works) are counting on final Congressional action on auto emissions legislation by early August. This apparently will be in time for auto companies to make decisions on 1977 models.
- . House Commerce Committee. Rogers' and Dingell's subcommittees are marking up Clean Air Act and fuel economy bills and currently plan to report something out -- at least on Clean Air by next Wednesday (April 9). Apparently the objective is to have final House action on a bill before the Senate Public Works Committee begins detailed hearings on auto emissions.

- . Senate Commerce-Fuel Economy. A bill probably will be reported in the next few weeks establishing some kind of mandatory fuel economy standards. Public Works has an agreement that any such bill will be referred to them before going to the floor. Public Works intends to make sure that the auto emissions and fuel economy requirements are consistent and believes it still has the clout to do so.
- . Senate Public Works. According to Grundy:
  - .. Hearings on Clean Air legislation will begin about April 17, first covering all issues and then zeroing in on auto emissions in early May.
  - .. All members are very conscious of the whole automobile dilemma -- made critical by the catalytic converter problem -- and recognized that they must act quickly, perhaps even to avoid losing jurisdiction.
  - .. Senator Muskie, who has dominated all previous Senate actions on Clean Air:
    - ... Will be amenable to an approach which avoid public confrontation with the Administration or with other critics of his tough stand on auto emissions.
    - ... Is concerned about the impact of this issue on his reelection chances in 1976.
    - ... Now can command no more than 5 or 6 votes on the Committee.
  - .. Senator Baker will be anxious to find a political way out of the current situation.
  - .. Most members recognize that:
    - ... Auto emissions, fuel economy, auto sales, auto industry employment, etc., are inextricably tied together.
    - ... Neither the Committee nor the Administration will have much public credibility on the auto emissions issue.
    - ... There is a strong need to get alternatives and impacts of each laid out in a way that they can be understood.

#### Possible Administration-Committee Cooperation

- . Basic Approach. The basic approach outlined by Grundy is quite simple though not flawless. It calls for:
  - .. Administration-Public Works Committee leadership (Randolph, Baker, Muskie and Buckley) agreement that:
    - ... Neither side will take a public position on the auto emissions standards at this time.



- ... Hearings held by the Committee would focus on identification of realistic alternatives and collecting information on the implication of each.
  - ... Turning information over to the National Academy of Sciences for compilation of a single "white paper" which lays out the facts that are available but does not make recommendations.\*
  - ... Once the Academy reported, all parties could take positions on the answer they thought best and the matter would be resolved in the normal legislative process.
- . Reaching Committee-Administration Agreement on Approach.  
Several steps are envisioned, including:
- .. An early meeting with Barry Meyer to round out the proposal.
  - .. A broader meeting involving other staff from the Committee and key agencies (EPA, FEA, DOT).
  - .. If it appears desirable, a meeting between Zarb and Train with Randolph and other leaders.
  - .. A meeting of the Committee leaders with the President and issuance of a public statement describing the approach that will be followed. (This step would be desired by the Committee but may prove either unnecessary or undesirable to the Administration.)
- . Advantages of the Approach. If it can be worked out, I believe this approach would have the distinct advantage of keeping open some auto emission standards options (e.g., maintaining 1975-76 standards for the next five years) which

\* The justification for Academy involvement would be: (a) lack of credibility by either the Congress or the Administration on the issue, (b) the Academy has done several detailed studies in this area over the past 18 months, and (c) there is no one else to turn to. There are problems with the Academy proposal that we would need to address since it, too, has weaknesses and lacks credibility in some quarters on this issue. It has little capability to deal with the economics of the situation or prepare a paper that will be understandable by the Congress and the public. One solution might be to supplement the Academy's involvement with help from other sources.



make great sense from a cost benefit point of view but which could become lost as the Administration or the Committee try to outdo each other in the political arena before the facts are laid out.

- . Disadvantages of the Approach. On the other hand, it sounds pretty clear that the Committee is looking for a politically acceptable way out on the auto emissions issue and the Committee might find it to their advantage to abrogate any kind of agreement that was worked out.

#### Status of Executive Branch Activities

- . Interagency Review. The OMB-led interagency review is proceeding on schedule with a draft OMB staff option paper expected on Friday, April 4 and a final paper on Monday, April 7. This paper should lay out the air quality, public health, fuel economy, technological options and economic impact of six alternative sets of auto emissions standards. OMB expects to zero in on the issue of:
  - .. The 1977 NOX standards -- 3.1 vs. 2.0 grams per mile.
  - .. The 1978-81 standards for HC, CO, NOX and sulfates -- the last of which could determine the future of the catalyst.

Yesterday's meeting of the group demonstrated the lack of both facts and agreement on the best option.

- . ERC Review. Current plans for the OMB-prepared option paper to go to the Executive Committee of the ERC for review and recommendation to the President by April 11.

#### Suggested Next Steps

For your consideration, I suggest that we proceed as follows:

- . Discuss the matter promptly with Jack Marsh's staff and Frank Zarb.
- . Set up a meeting with Barry Meyer and the Senior Minority Committee staffer and Bill Kendall or Pat O'Donnell to
  - (a) make sure that the proposal from Grundy is genuine,
  - (b) round out the basic approach, and (c) make sure that Meyer can deliver the Committee leadership's support for the approach if we can agree at the staff level.
- . Immediately thereafter bring in Russ Train and others concerned on the discussion.

II  
April 7, 1975

MEMORANDUM

Subject: NSF Study for the Domestic Council of Auto Emission Standards

We understand that the Domestic Council has commissioned the National Science Foundation to perform a study of automobile emission standards. In addition to apparently ignoring the existing, objective sources of information and expertise within the government on this subject, such as the Bartlesville Energy Research Center of the Energy Research and Development Administration, any study by the National Science Foundation will undoubtedly suffer from biases engendered by an excessively theoretical and academic orientation; i.e. the people involved are unlikely to have any practical experience in the problems of trying to implement from an engineering and business point-of-view the various solutions to be considered. Since there are good reasons for not having the study done by industry, we suggest that an Advisory Committee to the Domestic Council be appointed with representatives from the academic, automotive and refining areas. To some extent such a Committee would have a parallel in the "Blue Ribbon Panels" of the Magruder Study of Technological Opportunities.

We can suggest some possible members of such a Committee, if desired.

Henry Bellmon

