

**STATEMENT OF THE ALLIANCE OF AUTOMOBILE
MANUFACTURERS BEFORE THE PENNSYLVANIA DEP AND EQB
ON THE ADOPTION OF CALIFORNIA'S LOW EMISSION VEHICLE
REGULATIONS**

MARCH 20, 2006

Good evening. My name is Gregory Dana and I am Vice President, Environmental Affairs at the Alliance of Automobile Manufacturers. The Alliance is a trade association of nine car and light truck manufacturers.¹

Nearly 330,000 men and women -- about 3.7 percent of Pennsylvania's workforce -- is employed in either the auto industry or a job dependent on the auto industry. The auto industry generates 7.7 billion dollars in wages and benefits in Pennsylvania alone. Our industry supports the 1,258 auto dealers in the state.

Clean air is important. That is why automakers are committed to reducing vehicle emissions. As a result of our efforts over the past few decades, autos today have **99% fewer** smog-forming emissions than their counterparts in 1970, and we continue to work hard on the last 1% through advanced technologies including fuel cells, hydrogen internal combustion engines, hybrid-electric vehicles, clean diesel and alternative fuel vehicles. We have also made advancements in fuel efficiency. For example, fuel economy levels for cars have more than doubled in the past generation.

I am here today to discuss why the Alliance and its member companies do not support Pennsylvania's proposal to adopt California's low emission vehicle and greenhouse gas regulations for motor vehicles. These proposed regulations would impose substantial costs on the citizens of Pennsylvania while providing little or no benefit over the Federal program.

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¹ Alliance members are BMW, DaimlerChrysler, Ford, General Motors, Mazda, Mitsubishi, Porsche, Toyota, and Volkswagen.

Point 1: The California Low Emission Vehicle program provides little, if any air quality benefit to the Commonwealth.

Pennsylvania did not intend to adopt the California Low Emission vehicle standards in 1998. The Pennsylvania Clean Vehicles program included adoption of the LEV standards as a temporary measure or “backstop,” in case EPA’s national Low Emission Vehicle (NLEV) program was not implemented or if Federal standards cleaner than NLEV were not adopted. In fact, the Pennsylvania Department of Environmental Protection expressed its intent to utilize the Federal Tier 2 program both before and after its promulgation by the federal EPA in 2004.

The Federal Tier 2 emission standards were designed to meet the needs of the Northeast and Mid-Atlantic areas of the country. These standards focus on the NOx reductions that are of particular concern in this region because NOX is the controlling factor for smog in these states. In contrast, California LEV II focuses on hydrocarbon reductions.

The Federal program, currently being used by Pennsylvania, also established the maximum feasible emission reductions, considering the local fuels available in this region. Notably, Pennsylvania’s proposed California LEV program would NOT include the California fuel requirements that are critical to meeting California emissions standards.

- Emissions modeling done by Air Improvement Resources shows that for Pennsylvania the air quality benefit of the CA LEV program is negligible (see attached chart).
- Moreover, modeling projections focus on a snapshot in time and don’t reflect possible future regulatory changes, even those obviously on the immediate horizon. For example, EPA has now proposed a new Mobile Source Air Toxic rulemaking that will require vehicles to meet NMHC exhaust standards at 20 degrees and evaporative emission standards that will align with CARB’s. Those exhaust standards will become effective in 2010 and the program’s evaporative emission requirements will begin in the 2009 model year. These new Federal emission changes will further close the already small gap between Tier 2 and LEV II.

Point 2: The proposed greenhouse gas rules would impose substantial costs on Pennsylvania residents, with no corresponding benefits.

Adoption of these greenhouse gas rules is a bad idea for Pennsylvania. Furthermore, these rules will have a negligible effect on climate.

- Estimates that take full account of the investment costs and capabilities of the industry indicate that the average cost increases for vehicles will be more than 3,000 dollars per vehicle, once the greenhouse gas standards are fully implemented. This cost is not fully recoverable by fuel cost savings.
- The stated reason for the adoption of these rules is to combat climate change. But in exchange for all of the costs these rules will impose, Residents of Pennsylvania will see no discernable effect on either Pennsylvania's climate or even the U.S. or global climate as a whole.²
 - By way of background, greenhouse gases quickly disperse throughout the global atmosphere—they do not have localized effects. So, greenhouse gases emitted in Pennsylvania will have no more discernable impact on Pennsylvania than greenhouse gases emitted in other countries. Therefore, as long as greenhouse gas emissions in developing countries continue to increase at a rapid pace, piecemeal efforts to reduce greenhouse gas emissions elsewhere will be ineffective. Even if the DEP eliminated every light-duty vehicle on the road, the global greenhouse gas inventory would not measurably change, and there would certainly be no identifiable changes in climate in Pennsylvania or around the globe. Indeed, the background documents do not claim any significant benefits associated with this regulation. The means for controlling greenhouse gas emissions is being debated internationally, and can only be addressed effectively on a global basis.
 - DEP proposes to require that only CA-certified new vehicles can be sold in PA, and assumes on that basis that they will get the same GHG benefits, proportionally, that CA gets from the GHG regulation. But the California GHG gas regulation does not impose standards for individual vehicles; rather it sets

² Carbon dioxide produced in Pennsylvania by cars and light trucks amounts to less than 0.2 percent of total greenhouse gas emissions in the U.S. Eliminating every automobile in Pennsylvania would not change temperature or climate in the state and would reduce greenhouse gases by only 1/100th of one percent globally.

fleet average standards that must be met by each manufacturer on a sales-weighted basis for all vehicles in one of two weight classes sold and delivered each year. Without a fleetwide average target, a manufacturer's mix of vehicles sold in Pennsylvania would likely be significantly different from the mix sold in California. How then can DEP rely on modeling developed for a state that uses fleet averaging as its basis for calculating GHG emission reductions?

- Automakers are, of course, concerned about the potential issue of climate change. That's why, as the global debate on climate change continues, we have voluntarily committed to reduce greenhouse gas intensity from our plants and processes by 10 percent by 2012.
- Some people seem to think these rules are also aimed at air quality, but that is not the case. The California vehicle greenhouse gas regulations will not improve air quality. These regulations focus predominately on controlling carbon dioxide, an inert gas that is not toxic to humans or animals. The control of greenhouse gas emissions is not a pollution issue--it is an energy issue.

Point 3: We Have Made and Continue to Make Tremendous Progress on Fuel Efficiency

We know the best way to reduce vehicle greenhouse gas emissions is to improve fuel efficiency, and we have spent the past three and a half decades improving the fuel economy of our vehicles. We know that fuel efficiency is one of the things our customers consider when making buying decisions, along with other attributes like safety and utility. As a result, it is always on the minds of our designers and engineers.

- Over the last thirty years, average fuel economy levels have increased dramatically. For example, the average fuel economy level of passenger cars increased from 14.2 miles per gallon in 1974 to more than 28.7 miles per gallon in 2004, an increase of more than 100 percent. Today's average light truck gets better mileage than an average compact car in the 1970s.
- Automakers currently offer more than 100 models that have EPA-estimated highway ratings of 30 miles per gallon or more.

- Right now, automakers are competing to develop and introduce vehicles with advanced technologies that improve fuel efficiency. More than 30 models of advanced technology vehicles are on sale or in development today, with cutting-edge technologies such as hybrid-electric powertrains, clean diesel, hydrogen-fueled internal combustion engines, and fuel cell-powered vehicles. Some of these technologies will require major infrastructure changes, and automakers are actively participating in efforts to make these advanced technology vehicles commercially viable.

Ultimately, consumers are in the driver's seat, right where they should be. Consumers are the ones who will choose which vehicles and technologies meet their needs. Consumers should be the ones to decide how much they value fuel economy relative to other factors such as performance or cargo-carrying capability. Measures like these proposed greenhouse gas rules fail to account for consumer preferences and have the effect of limiting consumer choice. Indeed, consumers are increasingly choosing light trucks, as citizens such as contractors, repair people, builders, farmers, ranchers and other tradespeople rely on such vehicles to earn their livelihoods. We believe that these choices should continue to be made by consumers, not by the government.

Point 4: State Fuel Economy Standards Are Prohibited

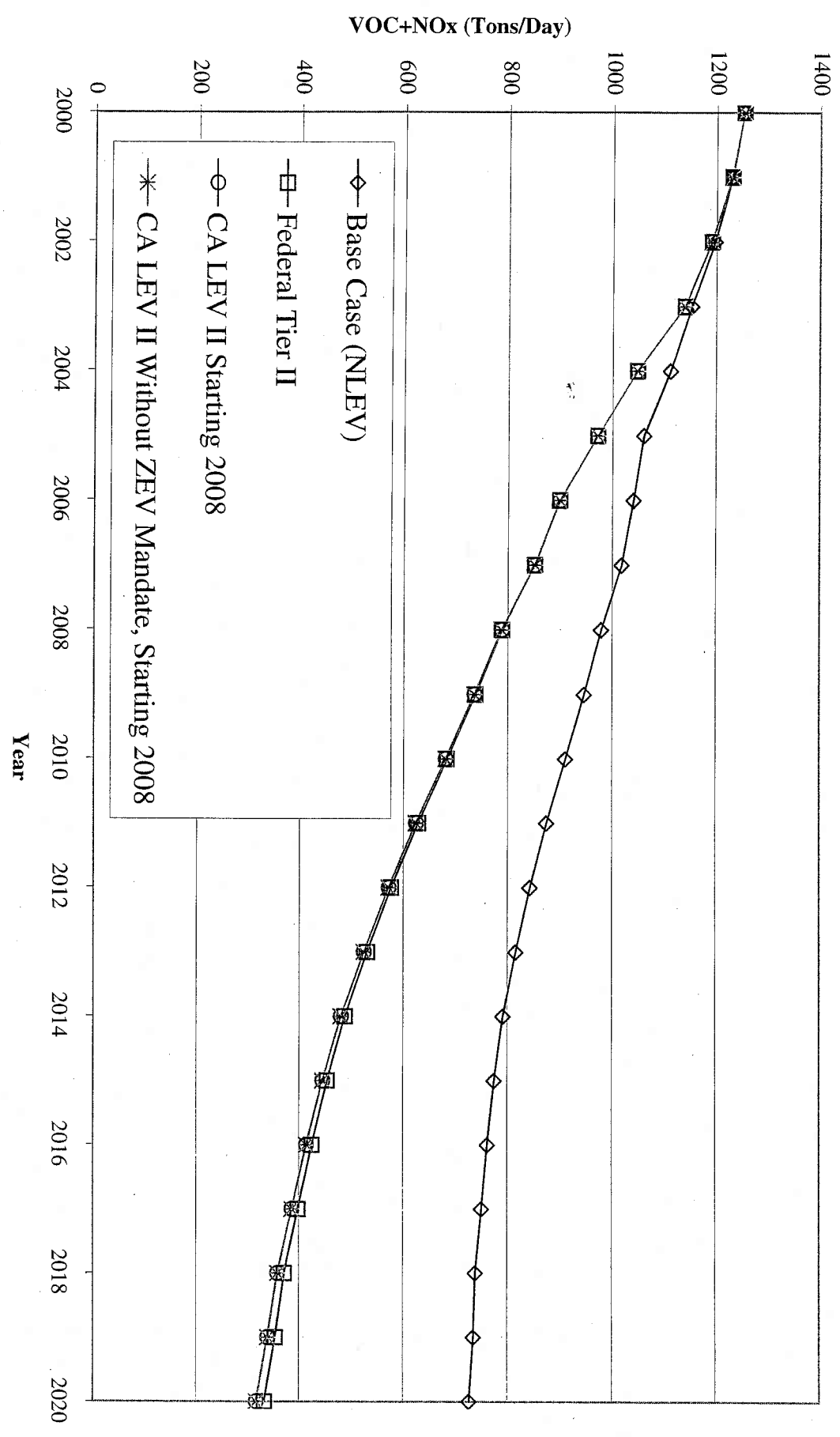
Federal law is clear. Federal law prohibits states from adopting or enforcing laws or regulations related to fuel economy standards. This preemption language was put into place because of the impact that divergent fuel economy standards would have on the national economy. The U.S. Congress reserved the issue of regulating vehicle fuel economy to the federal government to avoid a patchwork quilt of state regulations, which would hurt businesses and consumers alike.

Because carbon dioxide and fuel economy are synonymous, there is no question that California's AB 1493 regulations, and any corresponding regulations adopted by Pennsylvania, represent attempts by states to control motor vehicle fuel economy. As such, they are federally preempted. This is the primary thrust of the Alliance's ongoing litigation in California.

Conclusion

In summary, because these proposed regulations would increase the price of all new vehicles by about \$3,000, on average, with no corresponding health or environmental benefit, the Alliance urges the DEP to not enact these rules. Thank you for this opportunity to state our views. The Alliance will provide written comments for the record.

Pennsylvania Summer Season On-Road Inventory VOC+NOx



CHAPTER 10

The first part of the chapter discusses the importance of maintaining accurate records of all transactions. This is essential for the proper functioning of the business and for the protection of the interests of the owners and creditors.

The second part of the chapter discusses the various methods of accounting, including the double-entry system and the cost of sales method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the business and the needs of the management.

The third part of the chapter discusses the various types of accounts, including the personal accounts, the real accounts, and the nominal accounts. Each type of account has its own specific rules and regulations, and it is important to understand these rules in order to maintain the accounts correctly.

The fourth part of the chapter discusses the various methods of valuation, including the cost of sales method and the market value method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the business and the needs of the management.

The fifth part of the chapter discusses the various methods of depreciation, including the straight-line method and the diminishing balance method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the asset and the needs of the management.

The sixth part of the chapter discusses the various methods of inventory valuation, including the FIFO method and the LIFO method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the inventory and the needs of the management.

The seventh part of the chapter discusses the various methods of determining the profit, including the gross profit method and the net profit method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the business and the needs of the management.

The eighth part of the chapter discusses the various methods of determining the loss, including the gross loss method and the net loss method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the business and the needs of the management.

The ninth part of the chapter discusses the various methods of determining the value of the business, including the cost of sales method and the market value method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the business and the needs of the management.

The tenth part of the chapter discusses the various methods of determining the value of the assets, including the cost of sales method and the market value method. Each method has its own advantages and disadvantages, and the choice of method depends on the nature of the asset and the needs of the management.