Chrysler vs. GM, Ford on Fuel Rule Fines

With stable supplies of gasoline and falling energy prices, a rollback of 1.5 miles per gallon (mpg) in the average fuel economy of U.S. passenger car fleet may seem small. But federal auto efficiency rules are pitting Chrysler Corp. and public interest groups against General Motors and Ford. At stake are hundreds of millions of dollars in fines and lost profits for the nation's two largest automakers, which are not meeting the current 27.5 mpg standard.

To avoid paying massive fines, in March GM and Ford petitioned the National Highway Traffic Safety Administration (NHTSA) to lower the standard to 26 mpg, an action it can take without congressional approval. The Washington D.C.-based Center for Auto Safety and other public interest groups are opposing the rollback. To keep the miles per gallon rule out of the regulatory scrap pile, proponents are struggling to ignite a debate in Congress, which first imposed the standards in 1975.

"It is now abundantly clear that market forces have failed to produce the necessary increases in fuel efficiency," says Clarence H. Ditlow, director of the Center for Auto Safety. Unless compelled by federal law, he and other critics of the rollback argue that American manufacturers will slow research efforts and may delay deploying new fuel-saving technologies to reap higher profits with old tooling. As a result American car makers, they say, may become increasingly vulnerable to Japanese competition and shifts in world energy supplies.

In 1983 GM and Ford failed to meet the 25 mpg standard. The two companies again were unable to meet the tougher 27 mpg standard in 1984, and they expect to miss this year's rule of 27.5 mpg. "They delayed plans to bring more efficient cars into production," says Ditlow, explaining that GM and Ford chose to stick with older, heavier rear-wheel-drive vehicles. "They have a real cash cow with their present tooling and line up."

With a projected fleet average of 25.1 mpg for the 1985 model year, General Motors could be liable for up to $500 million in fines. Similarly, Ford with an estimated average of 25.9 mpg for its passenger cars, could incur penalties of $100 to $200 million in 1985 for failing to comply with the 27.5 mpg standard set by Congress 10 years ago. Under the law manufacturers can accrue credits for exceeding the Corporate Average Fuel Economy (CAFE) standard. Until this year, GM and Ford officials expected they would have enough credits from exceeding CAFE targets in past and future years to avoid actually having to pay huge fines.

GM and Ford officials say they have sought relief from highway administration because consumer demand for larger, heavier vehicles has increased dramatically—not because of a grab for profits. "The demand for large and luxury cars just was not expected to be so large," says Kenneth S. Brown, Ford's manager for technology and regulatory affairs. The two companies say they should not be penalized for not anticipating the sales shift.

Sales of less efficient medium- and large-size cars are likely to stay strong, GM and Ford officials say. Thus, near-term gains in the companies' CAFE ratings will be limited by changes in the ratio of small- to large-car sales. Japan's decision to export another 450,000 cars to the United States will only make matters worse. Auto industry analysts project U.S. car demand to remain static at about 10.5 million units annually. Consequently, American makers will see sales of domestically built small cars eroded by imports.

"The reason we filed with NHTSA when we did," says one Ford lobbyist, "was because the vehicle restraint agreement with Japan was lifted. Our sales of small cars like the Escort and Lynx are going to be affected." Since imported small cars sold by U.S. auto companies cannot be counted when calculating CAFE, Ford and GM say that complying with current CAFE rules will be tough.

Chrysler Corp. is not sympathetic to GM's and Ford's plight. With the help of federal loan guarantees the number three automaker has spent $4 billion over the past 5 years to retool. Chrysler expects to meet the 27.5 CAFE figure this year and next. The company says releasing GM and Ford from the 27.5-mpg rule and related fines now would be a financial windfall for them, says Robert J. Connor, Chrysler's director of congressional relations. "Rolling back the standard," he complains, "would let them use those funds for future models or features that Chrysler and other manufacturers cannot afford because we spent our money on fuel economy."

Indeed, the Center for Auto Safety, Environmental Policy Institute, and other CAFE supporters say U.S. automakers should be performing above the 27.5 mpg now called for. The Center petitioned NHTSA in July 1984 to ramp up the standard to 40.5 mpg by 1990. After a series of administrative delays this petition is being considered along with the GM-Ford rollback requests. However, NHTSA's slow reaction to the request to increase CAFE standards and the agency's October 1984 rollback of light-truck rules from 21 to 19.5 mpg have CAFE proponents predicting that the agency will side with GM and Ford.

So far no powerful champions for the cause have emerged in Congress. Senator James A. McClure (R-Idaho), the chairman of the Senate Energy and Natural Resources Committee has been petitioned by Senator Howard M. Metzenbaum (D-Ohio), and other minority members of the regulation and conservation subcommittee to take up the issue. The request has been referred to incoming subcommittee chairman Don Nickles (R-Okla.). The first-term senator has a GM assembly plant in his state and faces a reelection race in 1986—probably against Democratic Governor George Nigh. Aides say Nickles is not likely to schedule hearings before NHTSA rules on the GM-Ford petitions in September.

The prospect for the issue getting a hearing in the House Energy and Commerce seems almost as remote. Chairman John D. Dingell (D-Mich.) favors eliminating the CAFE standards, but that is not seen stopping Representative Edward J. Markey (D-Mass.), chairman of the subcommittee on energy conservation and power, from possibly focusing on CAFE rules. Two members of Congress, Representative Fortney H. Stark (D-Calif.) and Representative Barbara Boxer (D-Calif.) already have introduced bills to block NHTSA from cutting CAFE rules and to raise performance levels in future years.

Nevertheless, the future of fuel efficiency standards is in doubt. "The situation is extremely bleak," comments Deborah L. Bleviss, a researcher and lobbyist for the Federation of American Scientists about the level of congressional interest in the issue. "It seems unlikely that Congress will do anything this year."—**Mark Crawford**