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What should Bush say to the Big Three?

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This week President Bush will meet for the first time with leaders of Detroit's Big Three--Ford, GM and DaimlerChrysler--to discuss the dire situation of the U.S. auto industry. While Toyota marked its sixth straight year of record sales and Honda doubled its profits in this year's first quarter, U.S. automakers are hurting due to a huge drop in sales of sport-utility vehicles and diminishing market share.

GM lost \$10.6 billion in 2005, Ford lost \$1.2 billion in this year's first quarter, and Chrysler's operating profit slid 52 percent from the same period last year. Altogether the industry is closing 26 plants and slashing nearly 60,000 jobs.

The beleaguered automakers will surely give the president an earful about what Congress and the administration should do to help pull the industry out of the hole. They will complain about rising oil prices, prohibitive health-care and pension costs, disadvantageous currency exchange, the rise of Asian automakers (a Chinese company announced it will soon start selling family sedans for less than \$10,000) and the lack of availability of alternative fuels.

While the president has his hands full addressing each of those problems, he should remind the chief executive officers that their predicament is chiefly of their own making.

Until recently, the industry worked under the assumption that oil prices would remain under \$30 a barrel at least until 2030. It therefore focused on SUV sales and failed to develop fuel-efficient vehicles. While Toyota and Honda invested in hybrids and European automakers put their faith in clean diesel engines, Detroit bet the farm on the hydrogen economy which, for now, seems to be a pie-in-the-sky strategy. Now that it's clear that oil prices are not falling anytime soon, Detroit's basket of products is ill-fitted to meet the new reality.

While the CEOs meet in the Oval Office, members of Congress and other notables will be test-driving what could be Detroit's salvation: a plug-in hybrid electric vehicle that gets more than 100 miles per gallon. Plug-ins are powered by a combination of electricity and liquid fuel. Unlike standard hybrids that rely entirely on gasoline, these cars can get energy by being plugged into standard electric outlets at night when electric utilities have significant excess capacity. Because such cars also have liquid fuel tanks, they do not

face the range limitation posed by electric-only cars. Since 50 percent of the cars on the road today are driven 20 miles a day or less, a plug-in with a 20-mile-range battery would make a trip to the gas station a rarity. Less than 2 percent of America's electricity is generated from oil, so using electricity as a transportation fuel would greatly reduce dependence on imported petroleum, thus contributing to our national security.

If a plug-in hybrid is also equipped with a flexible fuel engine that can burn any mixture of alcohol and gasoline--about 6 million flex-fuel cars have been made since 1996--fuel economy could reach 500 m.p.g.

A blueprint for energy security produced by Set America Free, a coalition of think tanks, holds that if by 2025 all cars on the road are hybrids and half are plug-in hybrid vehicles, U.S. oil imports would drop by 12 million barrels a day, which is what we import today.

Plug-ins are clearly the near-term solution that best fits the American way of life. Yet U.S. automakers still are sticking to a business strategy that will only worsen their situation.

Bush should stress to the CEOs that a federal bailout--similar to the 1979 move by Congress to save Chrysler--is not an option. But should the automakers decide to make vehicles that enable fuel choice, electrify transportation and embrace plug-ins, Congress and the administration would provide the necessary help. The Vehicle and Fuel Choices for American Security Act, bipartisan legislation that would provide automakers with incentives to retool production lines to produce hybrids, plug-ins and flex-fuel cars and provide consumers with tax incentives to purchase these cars, is already before Congress.

In order to jump start an initial market, Bush should prod Congress to move this bill forward and commit to substantial incorporation of such technologies into federal, state and municipal fleets.

But all of this requires the auto industry to decide to help itself and focus on developing a technological edge over its competitors, while giving American motorists new products that redefine their expectations. The president's message to Detroit should be: Plug in for America and America will keep plugging for you.

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